Santander Consumer Finance, S.A. and subsidiaries composing the Santander Consumer Finance Group

Consolidated Annual Accounts and
Consolidated Management's Report
for the year ended 31 December 2023

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 to 47). In the event of a discrepancy, the Spanish-language version prevails.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Santander Consumer Finance, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Santander Consumer Finance, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2023, and the profit or loss account, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2023, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We consider that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	How the matter was addressed in the audit
Estimation of the impairment of financial assets at amortised cost – loans and advances to customers	
The expected loss impairment calculation models required by International Financial Reporting Standard 9 (IFRS 9), includes estimates and elements of judgement that require updates and adjustments to the models for determining the expected loss in the current macroeconomic environment of uncertainty. In this context, the main judgements and assumptions made by management are as follows: • The main estimates employed to calculate the probability of default (PD) and loss given default (LGD) parameters of the recalibrated expected loss models, including forward-looking models. • The updating of the prospective information in the *forward looking* models and the definition and evaluation of additional adjustments to the expected loss models to consider the effect of macroeconomic conditions in the current environment. These estimates involve a high degree of management judgement and uncertainty. They were therefore one of the most significant and complex estimates when preparing the accompanying consolidated annual accounts as at 31 December 2023 and have been identified as one of the key audit matters. See notes 2, 10 and 47 to the accompanying consolidated annual accounts as at 31 December 2023.	With the assistance of our credit risk specialists in credit risk and our macroeconomic forecast experts, we obtained an understanding of management's process for estimating the impairment of financial assets at amortised cost - loans and advances to customers, on both collectively and individual estimated provisions. In addition, as part of our procedures, we made enquiries with management to gain an understanding of the potential impact of climate risk on credit risk. With regards to internal control, we gained an understanding of and tested controls for the main steps of the estimation process, paying particular attention to the calculation of the most relevant assumptions used to estimate the parameters and, where appropriate, to the monitoring and assessment of model adjustments. We also performed the following tests of detail: • Checks, for the main models, on: (i) calculation and segmentation methods; (ii) expected loss parameter estimation methods; (iii) data used and main estimates employed and (iv) loan staging approach. • Evaluation of the main macroeconomic variables used in the scenarios of the *forward looking* models, including verification of the methodology, the assumptions used, the breakdown of the projection of the macroeconomic scenarios and their weighting. • Recalculation of collective provisions using the parameters obtained from the expected loss models. • Evaluation of additional adjustments to the expected loss models made by management derived from the current macroeconomic environment. • Obtaining a sample of individualized files to evaluate their adequate classification and registration, their loss estimation methodologies and, where appropriate, the corresponding impairment.

Key audit matters	How the matter was addressed in the audit
	No differences outside a reasonable range were identified in the tests described above.
Assessment of goodwill impairment	
At least annually, the Group estimates the recoverable amount of each cash-generating unit (CGU) to which goodwill has been assigned, based primarily on independent expert valuations. In view of the relevance to the Group, management pays particular attention to monitoring the goodwill of the cash-generating units in Germany, Austria and the Nordics (Scandinavia). In 2023, Group management included, in its estimates of the recoverable amount of the above-mentioned cash-generating units, value in use calculated by discounting cash flow projections. The main hypothesis used in the assessment of goodwill impairment, such as financial projections, the discount rate and the perpetuity growth rate, involve uncertainty, require complex estimation and involve a high degree of management judgement. Therefore, the assumptions made have been treated as one of the key issues of the audit. See Notes 2 and 14 to the accompanying consolidated annual accounts at 31 December 2023.	With the assistance of our valuation experts, we obtained an understanding of management's process for estimating the recoverable amount and, where appropriate, calculating the impairment of goodwill. As regards internal control, we gained an understanding and tested controls of the steps in the goodwill impairment assessment process, paying special attention to the budgeting process on which the projections are based, management's reliable forecasting ability and the assessment of the reasonableness of the discount rate and the perpetuity growth rate, as well as the evaluation of annual valuation reports prepared by management's experts. We also conducted the following tests of detail: • Assessment of the reasonableness of the methods and main assumptions used by management's experts when analysing goodwill impairment, including financial projections, the discount rate and the growth rate. • Verification of the mathematical accuracy of the calculation of goodwill impairment and of the discounting of cash flow projections. • Specific sensitivity analysis of key parameters, such as: (i) financial projections for the coming years; (ii) the discount rate; and (iii) the perpetuity growth rate. • Verification of the adequacy of the information disclosed in the accompanying consolidated annual accounts in accordance with applicable regulations. No differences outside a reasonable range were identified in the tests described above.

Key audit matters	How the matter was addressed in the audit
Information systems The Group's financial information relies largely on the information technology (IT) systems in the geographies in which it operates, so suitable control over the systems is a key to assuring the correct processing of the information. The technology environment has been developed mainly by the Group, although a part has also been developed by External Partners. In this context, it is critical to assess aspects such as the organisation of the Group's Technology and Operations Area and External Partners, controls over application maintenance and development, physical and logical security and system operations. Therefore, information systems have been treated as one of the key audit matters. Management continues to monitor internal control over IT systems, including access control supporting the Group's technology processes.	Assisted by our IT systems specialists, our work consisted of assessing and checking internal controls over the systems, databases and applications that support the Group's financial reporting. We carried out procedures on internal controls and substantive tests, in the environment of both the Group and its External Partners, relating to: • Functioning of the IT governance framework. • Access control and logical security of the applications, operating systems and databases that support relevant financial information. • Change management and application development. • IT operation maintenance. In addition, considering management's monitoring of internal control over IT systems, our audit approach and plan focused on the following aspects: • Assessment of management's monitoring as part of the Group's internal control environment. • Verification of the design and operability of controls implemented by management, including access control. The results of the above-mentioned procedures revealed no relevant exceptions in this regard.

Other information: Consolidated Management Report

Other information comprises only the consolidated management report for the 2023 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the consolidated statement of non-financial information, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) above is furnished as envisaged in applicable legislation and that the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2023 and its content and presentation comply with the applicable legalization.

Responsibility of the directors and the audit committee in relation to the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditors' responsibilities in relation to the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company’s audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European Single Electronic Format

We have examined the digital files of the European single electronic format (ESEF) of Santander Consumer Finance, S.A. and its subsidiaries for the 2023 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Santander Consumer Finance, S.A. are responsible for presenting the annual financial report for the 2023 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit committee of the Parent company

The opinion expressed in this report is consistent with that of our additional report for the parent company's audit committee dated 21 February 2024.

Term of engagement

The General Ordinary Shareholders' Meeting held on 14 March 2023 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2023.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

The non-audit services provided to the audited Group are disclosed in Note 39 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Ignacio Martínez Ortiz (23834)

21 February 2024

Santander Consumer Finance,

S.A. and Subsidiaries composing the

Santander Consumer Finance Group

Consolidated Financial Statements and Consolidated Management's Report for the year ended 31 December 2023

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 to 47). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2023 AND 2022

(Thousands of Euros)

ASSETS	Note	31/12/2023	31/12/2022 (*)
Cash, cash balances at central banks	2	**11,278,533**	**6,826,225**
Financial assets held for trading	9	**323,898**	**494,664**
Derivatives		323,898	494,664
Non-trading financial assets measured at fair value through profit or loss		**1,543**	**1,876**
Equity instruments	8	41	45
Debt securities	7	844	1,444
Loans and advances -Customers	10	658	387
Financial assets at fair value through profit or loss		**—**	**—**
Financial assets at fair value through other comprehensive income		**174,863**	**748,469**
Equity instruments	8	23,526	21,961
Debt securities	7	151,337	726,508
Financial assets at amortized cost		**121,125,887**	**113,094,548**
Debt securities	7	4,189,837	6,185,061
Loans and advances		116,936,050	106,909,487
Central banks		—	19,736
Credit institutions	6	1,428,325	390,306
Customers	10	115,507,725	106,499,445
Derivatives – Hedge accounting	29	**390,497**	**1,131,071**
Changes of the fair value of hedged items in an interest rate risk hedging portfolio	29	**(82,622)**	**(709,133)**
Investments in associates and joint-ventures	12	**825,970**	**724,777**
Joint ventures		325,151	281,915
Associates		500,819	442,862
Assets for insurance contracts		**—**	**—**
Assets under reinsurance contracts		**—**	**—**
Tangible assets	13	**4,301,096**	**3,163,609**
Property, plant and equipment		4,295,156	3,163,609
For own use		370,591	367,958
Leased out under operating leases		3,924,565	2,795,651
Investment property		5,940	—
Memorandum items: acquired through finance lease		261,736	264,104
Intangible assets		**2,253,001**	**2,097,941**
Goodwill	14	1,715,714	1,712,426
Other intangible assets	15	537,287	385,515
Tax assets:	22	**1,542,173**	**1,675,146**
Current tax assets		866,579	1,116,612
Deferred tax assets		675,594	558,534
Other assets	16	**1,147,368**	**985,164**
Inventories		5,437	8,880
Other assets		1,141,931	976,284
Assets included in disposal groups classified as held for sale	11	**65,281**	**45,337**
Total assets		**143,347,488**	**130,279,694**

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the consolidated balance sheet as at 31 December 2023.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2023 AND 2022

(Thousands of Euros)

LIABILITIES	Note	31/12/2023	31/12/2022 (*)
Financial liabilities held for trading	9	**343,594**	**466,031**
Derivatives		343,594	466,031
Financial liabilities at fair value through profit or loss		**—**	**—**
Financial liabilities at amortized cost		**123,391,128**	**111,077,230**
Deposits		69,985,114	70,848,070
Central banks	*17*	*5,465,555*	*17,900,641*
Credit institutions	*17*	*15,675,219*	*11,620,202*
Customers	*18*	*48,844,340*	*41,327,227*
Debt securities in issue	19	51,605,223	38,855,760
Other financial liabilities	20	1,800,791	1,373,400
Memorandum items:: Subordinate liabilities	17, 18 and 19	*2,000,129*	*1,514,223*
Derivatives – Hedge accounting	29	**440,267**	**193,787**
Changes in the fair value of covered items in a hedged portfolio interest rate risk	11	—	—
Liabilities for insurance contracts		—	—
Liabilities for reinsurance contracts		—	—
Provisions	21	**667,458**	**610,875**
Pensions and other defined post-employment benefit obligations		453,105	414,385
Other long-term employee pay		30,282	31,488
Procedural issues and pending tax litigation		37,066	10,089
Commitments and guarantees granted		21,058	28,010
Remaining provisions		125,947	126,903
Tax liabilities		**1,911,989**	**1,864,753**
Current tax liabilities		285,510	581,279
Deferred tax liabilities	22	1,626,479	1,283,474
Other liabilities	16	**2,214,372**	**1,874,830**
Liabilities included in disposal groups of items that have been classified as held for sale		—	—
Total liabilities		**128,968,808**	**116,087,506**
Own funds		**12,536,885**	**12,219,470**
Capital	23	5,638,639	5,638,639
Called up Share capital		*5,638,639*	*5,638,639*
Memorandum items: uncalled: Capital		—	—
Share premium	24	1,139,990	1,139,990
Equity instruments issued other than capital	23	1,200,000	1,200,000
Equity component of hybrid securities		—	—
Other equity instruments issued		1,200,000	1,200,000
Other		—	—
Accumulated earnings	25	3,649,396	3,629,337
Revaluation reserves		—	—
Other reservations	25	4,919	20,847
Accumulated reserves or losses of investments in joint and associated ventures		*524,365*	*439,882*
Others		*(519,446)*	*(419,035)*
(-) Treasury stock		—	—
Profit or loss after tax attributable to equity holders of the parent		1,003,933	1,242,860
(-) dividends paid	4	(99,992)	(652,203)
Other comprehensive income/(loss)		**(678.242)**	**(582,107)**
Items that may be reclassified to profit or loss	26	(50,982)	(33,865)
Items not reclassified to profit or loss	26	(627,260)	(548,242)
Non-controlling interests	27	**2,520,037**	**2,554,825**
Other comprehensive income		*2,445*	*(3,715)*
Other		*2,517,592*	*2,558,540*
Equity		**14,378,680**	**14,192,188**
Total liabilities and equity		**143,347,488**	**130,279,694**
Pro-memory: Exposures out of balance		25,642,721	27,052,044
Loan commitments granted	28	24,299,144	25,756,041
Financial guarantees granted	28	90,030	84,997
Other commitments granted	28	1,253,547	1,211,006

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the consolidated balance sheet as at 31 December 2023.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNTS CORRESPONDING TO THE COMPLETED ANNUAL FINANCIAL YEARS

31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Note	Income / (Expenses)	
		31/12/2023	31/12/2022 (*)
INTEREST INCOME	30	6,431,533	4,195,233
Financial assets at fair value through other comprehensive income		7,129	767
Financial assets at amortised cost		5,727,842	4,089,331
Other		696,562	105,135
INTEREST EXPENSE	31	(3,006,380)	(624,026)
NET INTEREST INCOME		**3,425,153**	**3,571,207**
DIVIDEND INCOME		243	236
INCOME FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	32	77,075	96,736
COMMISSION INCOME	33	1,124,127	1,133,025
COMMISSION EXPENSE	34	(394,803)	(349,489)
GAINS OR LOSSES IN FINANCIAL INTRUMENTS NOT AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	35	47,259	807
GAINS OR LOSSES ON FINANCIAL INSTRUMENTS HELD FOR TRADING, NET	35	(2,265)	(10,077)
GAINS OR LOSSES ON NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	35	—	—
GAINS OR LOSSES ON FINANCIAL INSTRUMETNS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	35	—	—
GAINS OR LOSSES FROM HEDGE ACCOUNTING, NET	35	95,860	86,600
CURRENCY TRANSLATION DIFFERENCES, NET	36	(4,366)	(17,644)
OTHER OPERATING INCOME	37	578,502	551,078
OTHER OPERATING EXPENSE	38	(419,380)	(415,988)
INCOME FROM ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS		—	—
CHARGES FROM LIABILITIES UNDER INSURANCE OR REINSURANCE CONTRACTS		—	—
OPERATING INCOME		**4,527,405**	**4,646,491**
ADMINISTRATION AND GENERAL EXPENSES		(1,884,565)	(1,756,232)
Staff costs	*38*	(955,293)	(884,182)
Other	*39*	(929,272)	(872,050)
DEPRECIATION AND AMORTISATION COST	13 and 15	(208,791)	(189,183)
PROVISIONS OR REVERSAL FROM PROVISIONS, NET	21	(55,108)	(20,467)
IMPAIRMENT CHARGES AND REVERSALS FROM FINANCIAL ASSETS NOT AT FAIR VALUE THROUGH PROFIT OR LOSS	10	(683,873)	(451,931)
Financial assets at fair value through other comprehensive income		60	285
Financial assets at amortised cost		(683,933)	(452,216)
IMPAIRMENT CHARGES OR REVERSAL OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES		—	—
IMPAIRMENT CHARGES OR REVERSAL OF NON-FINANCIAL ASSETS	40	(13,654)	(21,859)
Tangible assets		169	(985)
Intangible assets		(5,337)	(11,647)
Other		(8,486)	(9,227)
GAINS OR LOSSES ON NON-FINANCIAL ASSETS, NET	41	82,133	1,202
NEGATIVE GOODWILL RECOGNISED IN RESULTS	3	38,876	—
GAINS OR LOSSESS ON NON-CURRENT ASSETS HELD FOR SALE FROM DISCONTINUED OPERATIONS	42	(1,677)	(128)
PROFIT OR LOSS BEFORE TAX IN RESPECT OF CONTINUING OPERATIONS		**1,800,746**	**2,207,893**
OPERATING TAX EXPENSE OR INCOME FROM CONTINUING OPERATIONS	22	(479,596)	(606,270)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		**1,321,150**	**1,601,623**
(LOSS)/PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS		—	—
PROFIT /(LOSS) AFTER TAX		**1,321,150**	**1,601,623**
Attributable to non-controlling interests	*27*	317,217	358,763
Attributable to equity holders of the parent		1,003,933	1,242,860
EARNIGNS PER SHARE:			
Basic	4	0.48	0.62
Diluted	4	0.48	0.62

(*) Presented for comparison purposes only

The accompanying notes, 1 to 47, and Appendices I-VI are an integral part of the consolidated income statement for the year ended 31 December 2022.

SANTANDER CONSUMER FINANCE, S.A. Y SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENDITURE FOR THE ANNUAL YEARS ENDED 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Note	31/12/2023	31/12/2022 (*)
Profit or loss after tax		**1,321,150**	**1,601,623**
Other comprehensive income		**(100,867)**	**57,994**
Items that will not be reclassified to profit or loss		**(25,247)**	**120,796**
Actuarial gains or losses on defined benefit pension plans	26	(33,824)	180,485
Non-current assets held for sale		—	—
Other recognised income and expense from investments in joint ventures and associates		4	35
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		(2,354)	(968)
Income tax in respect of items not reclassified to profit or loss	22	10,927	(58,756)
Items that may be reclassified to profit or loss		**(75,620)**	**(62,802)**
Hedges of net investments in joint ventures and associates (effective portion)		97,709	54,046
Revaluation gains/(losses)	*26*	*97,709*	*54,046*
Amounts transferred to the income statement		—	—
Other reclassifications		—	—
Currency translation differences		(131,637)	(154,051)
Revaluation gains/(losses)	*26*	*(137,250)*	*(154,051)*
Amounts transferred to the income statement		*5,613*	—
Other reclassifications		—	—
Cash flow hedges		(85,458)	73,002
Revaluation gains/(losses)	*26*	*(70,512)*	*41,409*
Amounts transferred to the income statement		*(14,946)*	*31,593*
Transferred to initial carrying amount of hedged items		—	—
Other reclassifications		—	—
Debt instruments at fair value through other comprehensive income		1,612	(2,082)
Revaluation gains/(losses)		*1,672*	*(1,797)*
Amounts transferred to the income statement		*(60)*	*(285)*
Other reclassifications		—	—
Assets included in disposal groups classified as held for sale		—	—
Revaluation gains/(losses)		—	—
Amounts transferred to the income statement		—	—
Other reclassifications		—	—
Share of other recognised income of joint ventures and associates	26	25,915	(18,231)
Income tax in respect of items that may be reclassified to profit or loss	22	16,239	(15,486)
Total recognised income and expenses for the year		**1,220,283**	**1,659,617**
Attributable to non-controlling interests		*320,379*	*352,891*
Attributable to equity owners of the parent		*899,904*	*1,306,726*

(*) Presented for comparison purposes only

The accompanying notes, 1 to 47, and Appendices I-VI are an integral part of- the consolidated statement of recognised income and expense for the year ended 31 December 2023.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED TOTAL STATEMENTS OF CHANGES IN EQUITY FOR THE ANNUAL YEARS COMPLETED ON 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

Sources of changes in equity	Capital (Note 23)	Bonus of issuance (Note 24)	Equity instruments issued other than capital	Other equity instruments	Profits accumulated (Note 25)	Revaluation reserves	Others reserves	(-) Own shares	Profit or loss attributable to shareholders of the parent	(-) Interim dividends paid	Retained earnings	Non-controlling interests (Note 27)		Total
												Other comprehensive income	Other	
Opening balance at 31-12-2022 (*)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,629,337**	**—**	**20,847**	**—**	**1,242,860**	**(652,203)**	**(582,107)**	**(3,715)**	**2,558,540**	**14,192,188**
Adjustments due to errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Beginning of period balance (01/01/22)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,629,337**	**—**	**20,847**	**—**	**1,242,860**	**(652,203)**	**(582,107)**	**(3,715)**	**2,558,540**	**14,192,188**
Total recognised income and expenses (Note 4)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,003,933**	**—**	**(104,029)**	**3,162**	**317,217**	**1,220,283**
Other changes in equity	—	—	—	—	20,059	—	(15,928)	—	(1,242,860)	552,211	7,894	2,998	(358,165)	(1,033,791)
Common stock issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Preferred stock issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other equity instruments issued (Note 23)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption or maturity of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt conversion to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reduction of capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends (Note 4)	—	—	—	—	(507,477)	—	—	—	—	(99,992)	—	—	(295,290)	(902,759)
Stock buybacks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sale or cancellation of shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	527,536	—	55,227	—	(1,242,860)	652,203	7,894	2,998	(2,998)	—
Increases/(decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	(283,881)	(283,881)
Vesting of shares under employee share	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other increase/(decreases) of equity	—	—	—	—	—	—	(71,155)	—	—	—	—	—	224,004	152,849
Closing balance at 31-12-2023	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,649,396**	**—**	**4,919**	**—**	**1,003,933**	**(99,992)**	**(678,242)**	**2,445**	**2,517,592**	**14,378,680**

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the total statement of changes in consolidated net worth for the financial year 2023.

CONSOLIDATED TOTAL STATEMENTS OF CHANGES IN EQUITY FOR THE ANNUAL YEARS COMPLETED ON 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

Sources of changes in shareholders' equity	Capital (Note 23)	Share premium (Note 24)	Equity instruments issued other than capital	Other equity instruments	Retained Earnings (Note 25)	Revaluation reserves	Other reserves	(-) Own shares	Profit or loss attributable to shareholders of the parent	(-) Interim dividends paid	Other comprehensive income	Non-controlling interests (Note 27)		Total
												Other comprehensive income	Other	
Balance as of 31-12-2021 (*)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**2,985,858**	**—**	**53,909**	**—**	**1,174,689**	**(490,562)**	**(645,973)**	**2,157**	**2,335,622**	**13,394,329**
Effects of error correction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Beginning of period balance at 01-01-	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**2,985,858**	**—**	**53,909**	**—**	**1,174,689**	**(490,562)**	**(645,973)**	**2,157**	**2,335,622**	**13,394,329**
Total overall income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,242,860**	**—**	**63,866**	**(5,872)**	**358,763**	**1,659,617**
Other changes in equity	—	—	—	—	643,479	—	(33,062)	—	(1,174,689)	(161,641)	—	—	(135,845)	(861,758)
Common stock issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Preferred stock issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other equity instruments issued (Note 23)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption or maturity of other equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt conversion to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reduction of capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends (Note 4)	—	—	—	—	—	—	—	—	—	(652,203)	—	—	(135,837)	(788,040)
Stock buybacks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sale or cancellation of shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	643,479	—	40,648	—	(1,174,689)	490,562	—	—	—	—
Increases/(decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vesting of shares under employee share	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other increase/(decreases) of equity	—	—	—	—	—	—	(73,710)	—	—	—	—	—	(8)	(73,718)
Closing balance at 31-12-2022 (*)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,629,337**	**—**	**20,847**	**—**	**1,242,860**	**(652,203)**	**(582,107)**	**(3,715)**	**2,558,540**	**14,192,188**

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the total statement of changes in consolidated net worth for the financial year 2023.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED CASH FLOW STATEMENTS
CORRESPONDING TO THE COMPLETED ANNUAL FINANCIAL YEARS
31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Note	31/12/2023	31/12/2022 (*)
Cash flow from operating activities		6,970,387	(10,121,259)
Profit or loss after tax		1,321,150	1,601,623
Adjustments made to obtain the cash flows from operating activities:		1,967,556	1,605,540
Amortisation		208,791	189,183
Other		1,758,765	1,416,357
Net increase/(decrease) in operating assets		(14,661,831)	(11,940,967)
Financial assets held for trading		110,069	(445,008)
Non-trading financial assets mandatorily at fair value through profit or loss		331	1,120
Financial assets at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income	7, 8	581,880	326,049
Financial assets at amortised cost	6, 7, 10	(15,087,677)	(11,240,158)
Other operating assets		(266,434)	(582,970)
Net increase/(decrease) in operating liabilities		18,702,946	(953,502)
Financial liabilities held for trading		(61,531)	409,700
Financial liabilities at fair value through profit or loss		—	—
Financial liabilities at amortised cost		18,249,458	(1,636,653)
Other operating liabilities		515,019	273,451
Corporate income tax paid		(359,434)	(433,953)
CASH FLOWS FROM INVESTMENT ACTIVITIES		(2,190,583)	(1,022,024)
Payments		(3,588,349)	(1,321,383)
Tangible assets	13	(2,114,800)	(1,145,924)
Intangible assets	14 and 15	(157,181)	(154,150)
Investments in joint ventures and associates	12	(26,976)	—
Subsidiaries and other business units	3	(1,289,392)	(21,309)
Assets and liabilities included in disposal groups classified as held for sale		—	—
Other cash flows associated with investing activities		—	—
Proceeds		1,397,766	299,359
Tangible assets		505,719	255,257
Intangible assets	14 and 15	—	—
Investments in joint ventures and associates		46,600	28,422
Subsidiaries and other business units	3	841,204	—
Non-current assets held for sale and associated liabilities		4,243	15,680
Other cash flows associated with investing activities		—	—
CASH FLOWS FROM FINANCING ACTIVITIES		(317,252)	(937,684)
Payments		(1,166,788)	(1,537,684)
Dividends paid		(607,469)	(1,259,296)
Subordinated debt		(124,569)	(32,659)
Redemption of own equity instruments	17	—	—
Repurchase of own equity instruments		—	—
Other cash flows associated with financing activities		(434,750)	(245,729)
Proceeds		849,536	600,000
Subordinated debt	19	585,280	600,000
Issuance of equity instruments	23	—	—
Disposal of own equity instruments		—	—
Other cash flows associated with financing activities		264,256	—
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(10,244)	(57,905)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,452,308	(12,138,872)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		6,826,225	18,965,097
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		11,278,533	6,826,225
MEMORANDUM ITEMS:			
Cash and cash equivalents comprise:	2		
Of which: held by group entities but not available for the group			
Cash		40,160	82,148
Cash equivalent balances at central banks		8,348,066	3,900,413
Other financial assets		2,890,307	2,843,664
(Less)- Bank overdrafts repayable on demand			

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the consolidated statement of cash flows for the financial year 2023.

Santander Consumer Finance, S.A. And dependent companies that make up the Santander Consumer Finance Group

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

1. Introduction, bases for presentation of consolidated annual accounts, principles of consolidation and other information

a) Introduction

Santander Consumer Finance, S.A. (The "Bank"), was established in 1963 with the name of "Banco de Fomento, S.A.". It is a private law entity subject to the regulations and regulations of banking entities operating in Spain, which has its registered office in Avenida de Cantabria s/n, Edificio Dehesa, Boadilla del Monte, Madrid, where you can consult the corporate statutes and other public information about the Bank. The Bank is registered in the Official Register of Bank of Spain Entities under the code 0224.

Its corporate purpose is to receive funds from the public in the form of a deposit, loan, temporary transfer of financial assets or other similar activities involving the obligation to repay them, applying them, on their own account, to the granting of credits or operations of a similar nature. Likewise, as a holding company of a financial group (Grupo Santander Consumer Finance, the "Group"), it manages and manages the portfolio of shares in its subsidiaries.

The Bank is part of the Santander Group, the parent entity of which (Banco Santander, S.A.) owns, directly or indirectly, all the share capital of the Bank at 31 December 2022 and 2021 (see Note 23). Banco Santander, S.A. has its registered office at Paseo de Pereda 9-12, Santander. In this regard, the Bank's activity should be considered to be carried on in the framework of its belonging to and the strategy of the Santander Group, with which it performs transactions that are relevant to its activity (see Note 46). The consolidated annual accounts of the Santander Group for the financial year 2022 were formulated by the Administrators of Banco Santander, S.A., at the meeting of its Board of Directors held on February 22, 2023, approved by its General Shareholders Meeting held on March 14 , 2023 and deposited in the Mercantile Registry of Santander. The consolidated annual accounts of Grupo Santander for the financial year 2023 were formulated on February 19, 2024 by its Administrators.

The Bank has one bank office located in Madrid, is not listed and, in 2023, it carried on most of its direct business activities in Spain.

In addition, since December 2002, the Bank has been the head of a European group of entities, mainly financial, that carry out commercial banking, consumer finance, operating and financial leasing, full-service service and others. The Group has, as of December 31, 2023, 290 offices mainly distributed throughout the European territory, 47 of them in Spain (311 offices as of December 31, 2022, 48 of them in Spain).

During 2020, a branch in Greece was established, once the relevant authorization was obtained, to finance purchases of any type of consumer goods made by third parties, financial leasing, renting, and others.

During 2021, after the merger of the Bank with its subsidiaries Santander Consumer Bank, S.A., Banco Santander Consumer Portugal, S.A. And Santander Consumer Finance Benelux, B.V. (See Note 3), branches were established in Belgium, Portugal and the Netherlands in order to give continuity to the activities that had been provided to date.

During 2022 and after the merger of the Bank with its subsidiary Santander Consumer Banque, S.A., a branch has been established in France in order to give continuity to the activities that have been provided to date.

As required by Article 21 of Royal Decree 84/2015, of 13 February, which develops Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, the list of the Group's agents as at 31 December 2023 is set out in annex IV.

b) Basis for presentation of consolidated annual accounts

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of an EU member state and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards (hereinafter "IFRSs") previously adopted by the European Union (hereinafter "EU-IFRSs").

In order to adapt the accounting regime of Spanish credit institutions with the principles and criteria established by the IFRS adopted by the European Union (IFRS-EU), the Bank of Spain issued Circular 4/2017, dated 27 November 2017, on Public and Reserved Financial Information Standards and Financial Statements Formats.

During 2021 and 2020, the Bank of Spain published Circulars 6/2021, dated December 22, 2/2020 and 3/2020, dated June 11, amending Circular 4/2017, dated November 27 to credit institutions on Public and Reserved Financial Information Standards and Financial Statements Formats.

The Group's consolidated financial statements for the 2023 financial year of the Group have been drawn up by the Bank's Administrators (at its Board of Directors meeting of 20 February 2024) in accordance with the provisions of the International Financial Reporting Standards adopted by the European Union, taking into account Bank of Spain Circular 4/2017 and its subsequent amendments, as well as the commercial regulations applicable to the Group, applying the principles of consolidation, accounting policies and valuation criteria described in Note 2, in such a way as to show the true image of the Group's assets and financial position as at 31 December 2023 and the results of its operations, the recognised income and expenses, changes in equity and cash flows, consolidated, which occurred in the financial year 2023. These consolidated annual accounts have been drawn up from the accounting records maintained by the Bank and by each of the other entities within the Group, they include the adjustments and reclassifications necessary to homogenize the accounting policies and valuation criteria applied by the Santander Consumer Finance Group.

These notes to the consolidated annual accounts contain information in addition to that presented in the balance sheet, in the profit and loss account, in the statement of recognized income and expenditure, in the statement of changes in equity and in the statement of cash flows, all of them consolidated. It provides narrative descriptions or disaggregation of such states in a clear, relevant, reliable and comparable manner.

The Group's consolidated annual accounts for 2022 were approved by the Bank's General Shareholders' Meeting held on March 14, 2023 and deposited in the Mercantile Registry of Madrid. The consolidated annual accounts of the Group, those of the Bank and those of almost all the entities integrated in the Group for the financial year 2023 are pending approval by their respective General Shareholders Meetings. However, the Board of Directors of the Bank understands that these annual accounts will be approved without significant changes.

Adoption of new rules and interpretations issued

During 2023 the following amendments already adopted by the European Union have entered into force:

- IFRS 17 Insurance Contracts and Amendments to IFRS 17: New general accounting standard for insurance contracts, including recognition, measurement, reporting and disclosure. Insurance contracts combine financial and service delivery characteristics that, in many cases, generate variable long-term cash flows. For the proper reflection of these, IFRS 17 combines the measurement of future cash flows with the recording of the result of the contract during the period of provision of the service, it presents separately the financial results of the results for the provision of the service and allows entities, by choosing an accounting policy option, to recognize the financial results in the income statement or other comprehensive income. Applicable since 1 January 2023 retrospectively.

  The Group has carried out a project to implement the IFRS17 with all the entities of the Group and has developed an accounting policy that establishes the accounting criterion for the registration of insurance contracts. The Group has completed its analysis of the effects of this new standard without any tangible equity impacts being identified in its consolidated financial statements.

- Amendment to IAS 1 Presentation of financial statements: The amendment requires companies to disclose material information about their accounting policies rather than their significant accounting policies. It shall apply from 1 January 2023.

- Amendment to IAS 8 Accounting policies, changes in accounting estimates and errors: The amendment clarifies how to distinguish changes in accounting policies, generally retrospective, from changes in accounting estimates, generally forward-looking. It shall apply from 1 January 2023.

- Modification to IAS 12 Income Tax:

  i. The amendment requires companies to recognize deferred tax on transactions that, at the time of initial recognition, give rise to equal amounts of taxable and deductible temporary differences. In addition, entities shall recognize deferred tax assets (to the extent that they are likely to be usable) and deferred tax liabilities at the beginning of the first comparative period for all deductible and taxable temporary differences associated with:

     - Right-of-use assets and lease liabilities.

     - Liabilities for decommissioning, restoration and the like, and the corresponding amounts recognized as part of the acquisition cost of the related assets.

     The cumulative effect of making these adjustments shall be recognized under the accrued gains heading, or in another component of equity, as appropriate. It shall apply from 1 January 2023.

  ii. The second amendment applies to taxes on profits arising from the tax law to implement the model rules of Pillar II published by the Organization for Economic Cooperation and Development (OECD), including the tax law that implements the qualifying national minimum supplemental taxes described in those rules. The amendment includes the mandatory and temporary exception to the recognition and breakdown of deferred tax assets and liabilities arising from these Pillar II model rules (applicable from the date of publication of the amendment and with retroactive effect) and establishes additional reporting requirements:

      - If the tax law has come into effect, the related tax expense will be disclosed separately.

      - If the tax law is enacted or substantially enacted but has not yet entered into force, reasonably estimable qualitative and quantitative information will be disclosed to help users of the financial information understand the entity's exposure to the rules of the Pillar II model.

      The Group applies the exception to recognition and disclosure of deferred tax assets and liabilities in relation to Pillar II taxes, pursuant to the amendments to IAS 12. However, since the legislation of Pilar II is not in force on the date of submission of these consolidated annual accounts, Grupo Santander Consumer Finance does not have the corresponding exposure to current tax. However, at the end of 2023, there are geographies with tax laws for the implementation of the rules of the Pilar II model substantially promulgated that have not entered into force.

      From the application of the aforementioned amendments to the accounting standards and interpretations, no significant effects have been derived in the consolidated annual accounts of Grupo Santander Consumer Finance.

Finally, as of the date of preparation of these consolidated annual accounts, the following rules are in force, the effective date of which is after December 31, 2023:

- Amendment to IFRS 16 Leases: the lease liability on a leased sale requires a lessee-seller to subsequently measure lease liabilities arising from a leaseback so that it does not recognize any amount for gain or loss in relation to the right of use. On the other hand, the new requirements do not prevent a seller-lessee from recognizing in profit or loss related to the partial or total termination of a lease. It shall apply retrospectively from 1 January 2024.

- Amendment to IAS 1 Presentation of financial statements: Considering non-current liabilities in which the entity has the possibility of deferring payment in more than 12 months from the closing date of the reporting period.

  It also includes an additional amendment to IAS 1 on the classification of liabilities with covenants as current or non-current, specifying that covenants to be met after the reporting date do not affect the classification of liabilities as at that date; also requiring breakdowns on them.

  They should be applied retrospectively in accordance with the normal requirements of IAS 8 Accounting policies, changes in accounting estimates and errors. They shall apply from 1 January 2024

Finally, at the date of formulation of these consolidated annual accounts, the following rules were pending adoption by the European Union whose effective dates of entry into force are after December 31, 2023:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure: Additional disclosures are required for companies entering into supplier financing agreements. The purpose of the new disclosures is to provide information on Supplier Finance Arrangements (SFA) that allows investors to assess the effects on an entity's liabilities, cash flows and exposure to liquidity risk. Those amendments shall apply from 1 January 2024.

- Modification of IAS 21 Effects of Changes in Foreign Currency Exchange Rates: IAS 21 established the requirements to be applied when there is a lack of temporary interchangeability between two currencies, but did not give indications when this situation was not temporary. Given this scenario, IAS 21 has been modified establishing the criteria to identify these situations, specifying how entities should estimate the spot exchange rate, methodologies and data to be considered, as well as the associated breakdown requirements. This amendment shall apply from the financial years beginning on 1 January 2025.

Grupo Santander Consumer Finance is currently analyzing the possible effects of these new rules and interpretations.

All accounting policies and measurement bases with a material effect on the consolidated financial statements for 2023 were applied in the preparation of these consolidated annual accounts.

Use of critical estimates

The consolidated results and the determination of the consolidated assets are sensitive to the accounting principles, valuation criteria and estimates followed by the Administrators of the Santander Consumer Finance Group for the preparation of the consolidated annual accounts.

The main accounting principles and policies and valuation criteria are set out in note 2.

In the Group's consolidated financial statements, estimates were occasionally made by the senior management of the Santander Consumer Finance Group in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates, which were made on the basis of the best information available, relate basically to the following:

1. The impairment losses on certain financial assets at fair value through other comprehensive income, non-current assets and disposal group that have been classified as held for sale, financial assets at amortized cost, investments in joint and associated ventures, tangible assets and intangible assets (see Notes 6, 7, 8, 10, 11, 12, 13, 14, 15 and 47);

2. The assumptions used in the actuarial calculation of post-employment pay liabilities and commitments and other long-term commitments held with employees (see Notes 2-r, 2-s and 21);

3. The useful life of tangible and intangible assets (see Notes 13 and 15);

4. Valuation of consolidation trading funds (see Note 14);

5. Calculation of provisions and consideration of contingent liabilities (see Note 21);

6. The fair value of certain unlisted assets and liabilities (see notes 6, 7, 8, 9, 10, 11, 12, 17, 18 and 19);

7. Recoverability of deferred tax assets and corporate tax expenditure (see Notes 2-t and 22);

8. The fair value of identifiable assets acquired and liabilities assumed in business combinations according to IFRS 3 (see Note 3).

To update the previous estimates, the Group management has taken into account the current macroeconomic scenario resulting from the complex geopolitical situation, as well as inflation and interest rate levels and supply chain difficulties, what is generating some impact on economic evolution and is a focus of follow-up, and that generates uncertainty in the Group's estimates. Therefore, the Group management has assessed in particular the uncertainties caused by the current environment in relation to credit, liquidity and market risk, taking into account the best available information, in order to estimate the impact on the impairment provisions of the credit portfolio, in interest rates, and in the valuation of debt instruments, developing in the notes the main estimates made during the period ended December 31, 2023 (see Notes 7,10,14 and 47).

Although these estimates have been made on the basis of the best information available at the end of the 2023 financial year considered updated information at the date of formulation of these consolidated annual accounts, it may be that events that, if any, take place in the future will require modification (up or down) in the coming years, which would be done, if any, prospectively recognizing the effects of the change in estimate on the corresponding consolidated profit and loss account.

c) Comparability of information presented

The information contained in this report for the financial year 2022 is presented solely and exclusively for comparative purposes with the information relating to the financial year 2023 and therefore does not constitute the annual accounts of the Group for the financial year 2022.

d) Basis of consolidation

i. Subsidiaries

Subsidiaries are defined as entities over which the Bank has the capacity to exercise control. The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This situation generally occurs when the Bank has, directly or indirectly, over half of the voting rights in the investee or situations where, without reaching that level of participation, agreement or other circumstances exist that give the Bank control over the investee.

The financial statements of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all balances and effects of the transactions between consolidated companies are eliminated on consolidation.

On acquisition of control of a subsidiary, its assets, liabilities and contingent liabilities are recognised at their acquisition-date fair values. Any positive differences between the acquisition cost and the fair values of the identifiable net assets acquired are recognised as goodwill (see Note 14). Negative differences are recognised in profit or loss on the date of acquisition.

Additionally, the share of third parties of the Group's equity is presented under "Non-controlling interests" in the consolidated balance sheet (see Note 27). Their share of the profit for the year is presented under Profit attributable to non-controlling interests in the consolidated income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries for which control is lost during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Regarding entities that, without having the majority of the voting rights, were classified as dependent entities and, therefore, consolidated in these annual accounts, such circumstance would be a consequence of the existence of agreements that affect the relevant activities of these entities and that give control to the Bank. As of December 31, 2023 and 2022, there are no companies in which the Group does not have at least 50% of the voting rights and which have been considered as Group entities.

On 31 December 2023 and 2022, no entities were identified in which the Group held over half of the voting power and were not considered subsidiaries.

Appendix I to these consolidated financial statements contains relevant information on the Group's subsidiaries as of 31 December 2023.

ii. Interests in joint ventures

Joint ventures are deemed to be ventures that, being not dependent entities, are jointly controlled by two or more entities not related to each other. This is evidenced by contractual agreements under which two or more entities (shareholders) participate in entities or carry out operations or hold assets in such a way that any strategic financial or operational decision affecting them requires the unanimous consent of all members.

In the consolidated annual accounts, the joint ventures are valued by the "method of participation"; that is, by the fraction of their equity net representing the Group's share in its capital, once the dividends received from them and other equity eliminations have been considered. In the case of transactions with a joint venture, the corresponding losses or gains are eliminated in the Group's share of its capital.

Annex II to this consolidated report provides certain relevant information on the joint ventures as of 31 December 2023.

iii. Associates

They are entities over which the Bank has the capacity to exert significant influence, although not joint control or control. Usually, this capacity is manifested in a participation equal to or greater than 20% of the voting rights of the participating entity.

In the consolidated annual accounts, the associated entities are valued by the "participation method"; that is, by the fraction of their equity net representing the Group's share in its capital, once the dividends received from them and other equity eliminations have been considered. In the case of transactions with an associated entity, the related losses or gains are eliminated in the Group's share of its capital.

Annex II to this consolidated report provides certain relevant information from associated entities as of 31 December 2023.

iv. Structured entities

In cases where the Group constitutes or participates in entities in order to allow its clients access to certain investments, or for the transmission of risks or other purposes, also called structured entities since voting rights or similar rights are not the decisive factor in deciding who controls the entity, it is determined, according to internal criteria and procedures and taking into account the provisions of the reference regulations, whether there is control, as described above and therefore whether or not they should be consolidated. Specifically, for those entities where it is applicable (investment funds and pension funds, mainly), the Group analyzes the following factors:

- Percentage of participation maintained by the Group, with 20% generally established as a threshold.

- Identification of the fund manager, verifying whether it is a company controlled by the Group as this aspect could affect the ability to direct the relevant activities.

- The existence of agreements and/or agreements between investors that may make decision-making require joint participation by investors, not in this case being the fund manager who makes the decisions.

- Existence of exclusion rights currently exercised (possibility of removing the manager from his position) since the existence of these rights may be a limitation on the manager's power over the fund, concluding that the manager acts as an agent of investors.

- Analysis of the remuneration regime of the fund manager, considering that a remuneration scheme proportional to the service provided does not generally create an exposure of such importance as to indicate that the manager is acting as principal. On the contrary, if the remuneration is not in accordance with the service rendered, it could give rise to such a statement, which would lead the Group to a different conclusion.

These structured entities also include the asset securitization funds which are consolidated in those cases where, being exposed to variable returns, it is considered that the Group continues to exercise control.
The exposure associated with unconsolidated structured entities are not material with respect to the Group's consolidated financial statements.

Appendix I contains, amongst other information, the structured entities (securitization Funds) that are subject to consolidation in these consolidated financial statements as of 31 December 2023.

v. Business combinations

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities.

Business combinations whereby the Group obtains control over an entity or business are recognised for accounting purposes as follows:

- The Group proceeds to estimate the cost of the business combination, which will normally correspond to the consideration given, defined as the fair value of the assets delivered, the liabilities incurred and the equity instruments issued, if any, by the acquiring entity. The cost of the business combination does not include expenses related to the business combination, including fees paid to auditors involved in the transaction, legal advisors, investment banks and other consultants. If, prior to the business combination, the Group maintained any investment in the capital of the acquired entity, this interest is valued at fair value, recording the differences between that fair value and the net book value at the date of the combination of counterparties in the profit and loss account, forming this investment measured at fair value part of the cost of the business combination.

- The fair value of the contingent assets, liabilities and liabilities of the acquired entity or business, including those intangible assets identified in the business combination that may not be recorded by the acquired entity, which are incorporated into the consolidated balance sheet by those securities, is estimated; as well as the amount of minority interests (non-controlling interests) and the fair value of previous holdings in the acquired one.

- The difference between these concepts is recorded in accordance with subparagraph (k) of this Note 2 if it is positive. In the event that this difference is negative, it is recorded in the negative trading fund recognized in profit or loss of the consolidated profit and loss account.

The goodwill is only recorded once when acquiring control of a business.

vi. Changes in the levels of ownership interests in dependent companies

Acquisitions and disposals that do not result in a change of control are accounted for as equity transactions in 'other reserves', not recognizing any loss or gain in the consolidated profit and loss account and not re-valuing the initially recognized goodwill. The difference between the consideration paid or received and the decrease or increase in minority interests, respectively, is recognized in reserves.

Similarly, when control of a dependent company is lost, minority assets, liabilities and interests, as well as other items that may be recognized in the company's 'other cumulative overall income' are removed from the consolidated balance sheet, recording the fair value of the consideration received as well as any remaining investment. The difference between these amounts is recognized in the consolidated profit and loss account.

vii. Acquisitions and disposals

Note 3 of this consolidated report provides information on the most significant acquisitions and disposals of holdings that have taken place in the years 2023 and 2022.

e) Capital and capital adequacy management

Management of the Bank's and the Group's capital should be understood within the framework of the management performed by the Santander Group, of which they form part (see Note 1-a). The Santander Group's capital management is performed at regulatory and economic levels.

The aim is to secure the Santander Group's solvency and guarantee its economic capital adequacy and its compliance with regulatory requirements, as well as an efficient use of capital.

To this end, the regulatory and economic capital figures and their associated metrics -return on risk weighted assets (RORWA), return on risk-adjusted capital (RORAC) and value creation of each business unit- are generated, analysed and reported to the relevant governing bodies on a regular basis.

As part of the Capital Self-assessment process Framework (to comply with the requirement of Pillar II Basel), the Santander Group uses an economic capital measurement model to ensure the sufficiency of the capital to support all the risks of its activity under different economic scenarios, with the level of solvency decided by the Santander Group. It also evaluates the compliance with regulatory capital ratios in all the different scenarios.

In order to adequately manage the Santander Group's capital, it is essential to estimate and analyze future needs, in anticipation of the various stages of the economic cycle. Projections of regulatory and economic capital are made based on the budgetary information (balance sheet, income statement, etc.) and the macroeconomic scenarios defined by the Santander Group's economic research service. These estimates are used by the Group as a reference when planning the management actions (issues, securitisations, etc.) required to achieve its capital targets.

In addition, certain stress scenarios are simulated in order to assess the availability of capital in adverse situations. These scenarios are based on sharp fluctuations in macroeconomic variables (GDP, interest rates, housing prices, etc.) that mirror historical crises that could happen again or plausible but unlikely stress situations.

Following is a brief description of the regulatory capital framework to which the Group is subject:

On 26 June 2013, the Basel III legal framework was included in European law through Directive 2013/36 (CRD IV), repealing Directives 2006/48 and 2006/49, and through Regulation 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation (CRR).

The CRD IV was transposed into Spanish legislation through Law 10/2014, on the regulation, supervision and capital adequacy of credit institutions, and its subsequent implementing regulations contained in Royal Decree-Law 84/2015 and Bank of Spain Circular 2/2016, which complete its adaptation to Spanish regulation.

The CRR, of immediate application in each European country, contemplates a gradual implementation calendar that allows a progressive adaptation to the new requirements in the European Union regarding AT1 and T2 capital instruments. These calendars have been incorporated into Spanish regulation through Bank of Spain Circular 2/2014, affecting both new deductions and those issues and equity elements that with this new regulation are no longer eligible as such.

In 2014, the Basel III came into force, which established new global capital, liquidity and leverage standards for financial institutions.

From a capital standpoint, Basel III redefined what is considered as available capital in financial institutions (including new deductions and raising the requirements for eligible equity instruments), raised the minimum capital requirements, demanded that financial institutions provide excess capital (capital buffers) and added new requirements for the risks considered.

In Europe, Basel III was implemented through Directive 2013/36/EU (CRD IV) and Regulation 575/2013 (CRR). CRD IV was transposed into Spanish regulations through Law 10/2014 on the regulation, supervision and solvency of credit institutions and its subsequent regulatory development contained in Royal Decree 84/2015. The CRR is directly applicable in the EU Member States and therefore repeals the national regulations regarding minimum capital requirements existing prior to its entry into force.

On 27 December 2017, Regulation 2017/2395 was published, amending the CRR with regard to transitional provisions to mitigate the impact of the introduction of IFRS 9, which took place on 1 January 2018. However, as a consequence of the Covid-19 health crisis, on June 24, 2020, the European Commission published Regulation (EU) 2020/873, which amends the previous one regarding the transitional adjustments arising from the application of IFRS 9 accounting standards.

The regulatory changes introduced in the new regulation are focused mainly on the dynamic approach and the extension of the phase-in until 2024 in order to mitigate the impact of the increase in the volume of provisions. In terms of how to determine their impact, the static and dynamic approach must be taken into account:

Regarding the static approach, it would correspond to apply the factor of 0.7 expected for the year 2020 while the dynamic approaches should be distinguished between:

- Dynamic approach 1: it measures the evolution of non-default provisions from the date of first application of IFRS 9 (January 1, 2018) to the reporting date (January 1, 2020), maintaining the phase-in factors for 5 years (2018-2022) provided in the previous Regulation.

- Dynamic approach 2: it measures the evolution of non-default provisions from January 1, 2020 until the reporting date, applying new phase-in factors updated until 2024.

The main objective of this modification was to isolate the effect of the increase in non-default provisions caused by the COVID-19 health crisis and thus not to harm the top-quality capital of credit institutions.

In addition, on 28 December 2017 Regulations 2017/2401 and 2017/2402 were published, incorporating the new securitisation framework. The first regulation established a new methodology for calculating capital requirements for securitisations and a transitional period ending on 31 December 2019, while the second regulation defines a type of STS securitisation which, due to characteristics ('simple, transparent and standardised')s, receives preferential treatment in terms of lower capital requirements.

With regard to Non-Performing Exposures (NPEs), rules have been published with the aim of implementing the "Action Plan for Non-Performing Exposures in Europe", published by the European Council in July 2017. The most relevant are the following:

- The ECB's supervisory expectation to address the stock of NPEs through provisioning,

- European Central Bank Guidance on Non-performing loans to credit institutions, published in March 2017: the Appendix to this Guidance, published in March 2018, sets out timetables with quantitative supervisory expectations for provisioning of this type of exposure. Applicable to exposures originated prior to 26 April 2019 and which have become NPE on or after 1 April 2018. Non-compliance could result in a higher charge for Pillar 2.

- Amendment of the RRC by Regulation 2019/630 regarding the minimum coverage of losses arising from doubtful exposures (prudential backstop), published in April 2019: this regulation includes timetables of quantitative requirements for minimum provisioning of NPE's. It applies to PPE's originated after 26 April 2019 and failure to comply would result in a deduction from the institutions' CET1.

e) *Plan for the roll-out of advanced approaches and authorisation from the supervisory authorities*

Santander Consumer Finance Group, following Santander Group policies, continues with its proposal to adopt, progressively, over the next few years, the advanced internal ratings-based (AIRB) approach for substantially all its banks, until the percentage of exposure of the loan portfolio covered by this approach exceeds 90%. The commitment assumed before the supervisor still implies the adaptation of advanced models within the key markets where it operates.

Accordingly, the Group continued in 2022 with the project for the progressive implementation of the technology platforms and methodological improvements required for the roll-out of the AIRB approaches for regulatory capital calculation purposes at the various Group units.

The Group has obtained authorisation from the supervisory authorities to use the AIRB approach for the calculation of regulatory capital requirements for credit risk for the Parent and the main subsidiaries in Spain as well as for certain portfolios in Germany, the Nordic countries (Norway, Sweden and Finland), and France.

With respect to operational risk, the Group currently uses the standardised approach for calculating regulatory capital as foreseen in the Capital Requirements Regulation (CRR).

f) Deposit Guarantee Fund and Single Resolution Fund

The Bank and other consolidated entities are integrated into the Deposit Guarantee Fund, National Resolution Funds or equivalent bodies of their respective countries.

i. Deposit Guarantee Fund

The Deposit Guarantee Fund ("FGD"), established by Royal Decree – Law 16/2011, of 14 October, creating the FGD, which was modified in accordance with the wording given by the Final Provision Tenth of Law 11/2015, of 18 June, recovery and resolution of credit institutions and investment firms (in force since 20 June 2015). This Law transposes into Spanish law Directive 2014/49/EU of 16 April on deposit guarantee systems. The annual contribution to be made by the institutions to this fund is determined by the Managing Commission of the DGF, and consists of the contribution based on the guaranteed deposits of each institution corrected by its risk profile, that includes the phase of the economic cycle and the impact of procyclical contributions, according to paragraph 3 of article 6 of Royal Decree-Law 16/2011.

The purpose of the FGD is to guarantee deposits in credit institutions up to the limit contemplated in the Royal Decree-Law. In order to meet its objectives, the FGD draws on the aforementioned annual contributions, the spillovers that the Fund makes between the entities that join it and the resources raised in the stock markets, loans and any other indebtedness operations.

Taking into account the foregoing and to strengthen the assets of the FGD, Royal Decree-Law 6/2013 of 22 March, on the protection of the holders of certain savings and investment products and other financial measures, it established a spill equivalent to 3 per thousand of the institutions' deposits as of December 31, 2012. This spill becomes effective in two sections:

i. Two fifths to be satisfied within twenty working days from December 31, 2013.

ii. Three fifths to be paid within a maximum period of seven years and according to the schedule of payments established by the Managing Commission of the FGD.

Additional information on the Bank's contributions of this type made in 2023 and 2022 can be found in the Bank's individual report of its annual accounts for 2023.

ii. Single Resolution Fund

In March 2014, the Parliament and the European Council reached a political agreement on the creation of the second pillar of the banking union, the Single Resolution Mechanism ("SRM"). The main objective of the SRM is to ensure that future bank failures in the banking union are managed efficiently, with minimal costs for the taxpayer and the real economy. The scope of the SRM is identical to that of the SSM, i.e. a central authority, the Single Resolution Board ("SRB"), is ultimately responsible for the decision to initiate the resolution of a bank, while the operational decision will be implemented in cooperation with national resolution authorities. The SRB started its work as an autonomous EU body on 1 January 2015.

The rules governing the banking union are intended to ensure that the resolutions are financed primarily by banks and their shareholders and, if necessary, also partially by the institution's creditors. However, another source of funding will also be available and can be used if the contributions of shareholders and creditors of the institution are not sufficient. This is the Single Resolution Fund ("SRF"), which is administered by the SRB. The regulation provides that banks will pay contributions to the SRF over eight years.

In this regard, on 1 January 2016, the SRF came into operation, which has been implemented by Regulation (EU) No 806/2014 of the European Parliament and of the Council. The SRB is responsible for calculating the contributions to be made by credit institutions and investment firms to the SRF. These contributions are based, from the financial year 2016, on: (A) a flat-rate contribution (or basic annual contribution), pro rata with respect to total liabilities, excluding own funds, the secured deposits of all authorized entities in the territory of the participating Member states; and (b) a risk-adjusted contribution, which shall be based on the criteria set out in Article 103(7) of Directive 2014/59/EU, taking into account the principle of proportionality, without creating distortions between banking structures in the Member states. The amount of this contribution accrues from the financial year 2016, on an annual basis.

The amount accrued for contributions to both funds as at 31 December 2023 amounted to EUR 64,982 thousand (as at 31 December 2022 it amounted to EUR 81,891 thousand), having been included under "Other operating expenses" in the profit and loss account (see Note 37).

iii. National Resolution Fund

In the year 2015, Royal Decree 1012/2015, of 6 November, was published, which developed Law 11/2015, of 18 June, on recovery and resolution of credit institutions and investment services companies, and by which Royal Decree 2606/1996, was modified. of 20 December on Deposit Guarantee Funds of Credit Institutions. The aforementioned Law 11/2015 regulates the creation of the National Resolution Fund, whose financial resources should reach, by December 31, 2024, 1% of the amount of guaranteed deposits, through contributions from credit institutions and investment services companies established in Spain. The detailed form of calculation of contributions to this Fund is regulated by Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 and is calculated by the Ordered Bank Resolution Fund ("FROB"), based on the information provided by each entity.

The expenditure incurred for the contribution made by the Bank to the National Resolution Fund in Spain in 2023 amounted to 488 thousand euros (451 thousand euros in 2022), it is recorded under "Other operating expenses" in the attached profit and loss account (see Note 37).

g) Environmental impact

Given the activities to which the Group companies are engaged, they have no liabilities, expenses, assets or provisions or contingencies of an environmental nature that could be significant in relation to the assets, financial situation and consolidated results of the Group. For this reason, no specific breakdowns are included in this consolidated report with regard to information on environmental issues.

h) Events after the reporting period

Subsequent to close of the fiscal year ended December 31, 2023 and until the date of formulation of these Consolidated Annual Accounts for that year, no event has occurred that significantly affects or modifies the information contained therein.

2. Accounting principles and policies and valuation criteria applied

The following accounting principles and policies and valuation criteria have been applied in the preparation of the consolidated annual accounts:

a) Foreign currency transactions

i. Presentation currency

The functional and presentation currency of the Bank is the euro. The Group's currency of presentation is also the euro.

ii. Criteria for the conversion of balances into foreign currency

The conversion of foreign currency balances into euros takes place in two consecutive phases:

- Conversion of the foreign currency to the presentation currency (currency of the main economic environment in which the entity operates); and

- Conversion into euros of balances held in the functional currencies of entities whose functional currency is not the euro.

iii. Conversion of foreign currency to presentation currency

Foreign currency transactions carried out by consolidated entities (or valued by the equity method) not based in countries of the Monetary Union are initially recorded in their respective currencies. Subsequently, the monetary balances in foreign currency are converted to their respective functional currencies using the year-end exchange rate.

Furthermore:

- Non-monetary items valued at their historical cost are converted to the currency of presentation at the exchange rate of the date of acquisition.

- Non-monetary items measured at fair value are converted at the exchange rate on the date on which such fair value was determined.

- Income and expenses are converted at the average exchange rates for the period for all operations within the period. In applying this criterion, the Panel considers whether there have been significant changes in exchange rates during the financial year which, due to their relevance to the accounts as a whole, make it necessary to apply exchange rates at the date of the transaction instead of such average exchange rates.

- Forward trading transactions of currencies against currencies and currencies against euros that do not cover equity positions are converted at the exchange rates established on the closing date of the financial year by the forward currency market for the corresponding maturity.

iv. Conversion of functional currencies into euros

The balances in the annual accounts of consolidated institutions (or valued by the equity method) whose functional currency is other than the euro are converted into euros as follows:

- Assets and liabilities, by application of the exchange rate at year-end.

- Income and expenditure, applying the average exchange rates for the year.

- Equity items, at historical exchange rates.

v. Recognition of exchange differences

Exchange differences arising from the translation of foreign currency-denominated balances into the reporting currency are generally recorded at their net amount in the exchange differences chapter of the consolidated income statement, net, with the exception of exchange differences in financial instruments classified at fair value through profit and loss, which are recorded in the consolidated profit and loss account without differentiating them from other changes that may occur at fair value, and exchange differences in non-monetary items whose fair value is adjusted in equity, recorded under other cumulative comprehensive income – items that may be reclassified to profit or loss – currency conversion, except for differences in exchange for equity instruments, in which the option of irrevocably being measured at fair value through other cumulative comprehensive income has been chosen, that other cumulative comprehensive income – items not to be reclassified into profit or loss – changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in the chapter (see Note 26).

The exchange differences that occur when converting financial statements denominated in the functional currencies of entities whose functional currency is other than the euro into euros are recorded under the equity heading Other cumulative overall income – elements that can be reclassified into profit or loss – conversion of consolidated balance sheet currencies, while those that originate in the conversion into euros of the financial statements of entities valued by the equity method are recorded as part of the balance of the equity heading other cumulative overall income – elements that will not be reclassified into results and elements that they can be reclassified into profit or loss – participation in other recognized income and expenses from investments in joint and associated ventures up to the balance sheet of the item to which they correspond, at which time they will be recorded in profit or loss.

Exchange differences arising from actuarial gains or losses when converting financial statements denominated in the functional currencies of entities whose functional currency is other than the euro into euros are recorded under equity heading Other cumulative comprehensive income - items other than not they will be reclassified into profit or actuarial (-) losses in defined benefit pension plans (see Note 21 and Note 26).

vi. Entities located in hyperinflationary economies

As at 31 December 2023 and 2022, none of the functional currencies of consolidated and associated entities, located abroad, were held in economies considered highly inflationary according to the criteria established in this regard by the International Financial Reporting Standards adopted by the European Union. Consequently, at the close of the accounts of the last two financial years, there has been no need to adjust the financial statements of any consolidated or associated entity to correct them for the effects of inflation.

vii. Exposure to foreign

The value in euros of the total foreign currency assets and liabilities held by the Group as at 31 December 2023 and 2022 amounts to 18,193 million euros and 11,574 million euros, respectively (20,296 million euros and 12,221 million euros, respectively). at the end of financial year 2022) –see Note 44.b–. As of December 31, 97.27% (98.80% as of December 31, 2022) of foreign currency assets and 100% (100% as of December 31, 2022) of foreign currency liabilities were Norwegian kroner (approximately 96.82%). The rest are, in their totality, other currencies quoted in the Spanish market. The effect on the consolidated profit and loss account and on the consolidated net worth by percentage changes of 1 per cent in the various foreign currencies in which the Group maintains significant balances, considering the exchange rate hedges established by the Group in this regard, it would be insignificant.

b) Definitions and classification of financial instruments

i. *Definitions*

A “financial instrument” is a contract that gives rise to a financial asset in one entity and simultaneously to a financial liability or capital instrument in another entity.

A Capital or equity instrument is a legal business that demonstrates a residual stake in the assets of the issuing entity after all its liabilities are deducted.

A “financial derivative” is a financial instrument whose value changes in response to changes in an observable market variable (such as an interest rate, exchange rate, the price of a financial instrument or a market index, including credit ratings), the initial investment of which is very small relative to that which would have to be made in other financial instruments with a similar response to changes in market conditions, and which is generally settled at a future date.

“Hybrid financial instruments” are contracts that simultaneously include a master contract other than a derivative together with a financial derivative, called an implied derivative, that it is not individually transferable and that it has the effect that some of the cash flows of the hybrid contract vary in the same way as would the implicit derivative considered in isolation.

Compound financial instruments are contracts that for their issuer generate both a financial liability and an own capital instrument (such as convertible bonds that grant their holder the right to convert them into equity instruments of the issuing entity).

The preference shares contingently convertible into ordinary shares eligible as Additional Tier 1 capital (“CCPSs”) -perpetual preference shares, which may be repurchased by the issuer in certain circumstances, the interest on which is discretionary, and would convert into a variable number of newly issued ordinary shares if the capital ratio of the Bank or its consolidated group falls below a given percentage (trigger event), as those two terms are defined in the related issue prospectuses- are recognised for accounting purposes by the Group as compound instruments. The liability component reflects the issuer's obligation to deliver a variable number of shares and the equity component reflects the issuer's discretion in relation to the payment of the related coupons. In order to effect the initial allocation, the Group estimates the fair value of the liability as the amount that would have to be delivered if the trigger event were to occur immediately and, accordingly, the equity component, calculated as the residual amount, is zero. In view of the aforementioned discretionary nature of the payment of the coupons, they are deducted directly from equity.

Also, the contingently redeemable perpetual debentures, which may be purchased by the issuer under certain circumstances, whose remuneration is discretionary, and which will be redeemed, in whole or in part, on a permanent basis if the Bank or its consolidated group has a capital ratio below a certain percentage (trigger event), as defined in the related prospectuses, are accounted for by the Group as equity instruments.

The following transactions are not treated, for accounting purposes, as financial instruments:

- Investments in joint ventures and associates in joint ventures and associated entities (see Note 12).
- Rights and obligations arising from employee benefit plans (see Note 21).

ii. *Classification of financial assets for measurement purposes*

Financial assets are presented under the different categories in which they are classified for management and valuation purposes, unless they are to be presented as "non-current assets and disposal groups that have been classified as held for sale", or correspond to "cash, cash," or "cash," or "cash," or "cash," or "cash,". cash balances in central banks and other demand deposits", "Derivatives – hedge accounting" or "Investments in joint ventures and associates", in which case, are displayed independently.

The classification criterion of financial assets depends both on the business model for their management and on the characteristics of their contractual flows.

The Group's business models refer to how the Group manages its financial assets to generate cash flows. In defining them, the Group takes into account the following factors:

- How key management personnel are evaluated and reported on the performance of the business model and the financial assets held in the business model.
- The risks that affect the performance of the business model (and the financial assets held in the business model) and, in particular, the way in which those risks are managed.
- How business managers are rewarded.
- The frequency and volume of sales in previous years, as well as the expectations of future sales.

The analysis of the characteristics of contractual flows of financial assets requires an assessment of the consistency of these flows with a basic loan agreement. The Group determines whether the contractual cash flows of its financial assets are only payments of principal and interest on the principal amount outstanding at the beginning of the transaction. This analysis takes into account four factors (performance, clauses, contractually linked products and foreign exchange). In this regard, among the most significant trials employed by the Group in carrying out this analysis, are the following:

- The return on financial assets, in particular in cases of periodic interest rate adjustment where the term of the reference interest rate does not coincide with the frequency of adjustment. In these cases, an assessment is carried out to determine whether contractual cash flows differ significantly from flows without this change in the time value of money, establishing a tolerance level of 2%.

- Financial assets whose cash flows have different payment priority due to contractual linkage to underlying assets (such as securitizations) require a look-through analysis by the Group to review that both the financial assets and the underlying assets are payments of principal and interest only, and that the credit risk exposure of the pool of underlying assets belonging to the analyzed tranche is less than or equal to the credit risk exposure of the underlying asset pool of the instrument.

On this basis, the asset can be measured at amortized cost, at fair value through other comprehensive income, or at fair value through changes in profit or loss for the period. The IFRS9 also provides for the option of designating an instrument at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "accounting asymmetry") that would otherwise arise from the measurement of assets or liabilities or from the recognition of gains and losses on different bases. The Group uses the following criteria for the classification of debt instruments:

- Amortized cost: Financial instruments under a business model whose objective is to collect principal and interest flows, for which there are no significant unjustified sales and fair value is not a key element in the management of these assets and contractual conditions result in cash flows at specific dates, which are only principal and interest payments on the outstanding principal amount. In this sense, unjustified sales are considered those other than those related to increased asset credit risk, unforeseen financing needs (liquidity stress scenarios). In addition, the characteristics of their contractual flows represent substantially a "basic financing agreement".

- Fair value with changes in other comprehensive income: Financial instruments included in a business model whose objective is achieved through the collection of principal and interest flows and the sale of such assets, fair value being a key element in the management of these assets. In addition, the characteristics of their contractual flows represent substantially a "basic financing agreement".

- Fair value with changes in profit or loss: financial instruments included in a business model whose objective is not achieved through the aforementioned ones, fair value being a key element in the management of these assets, and financial instruments whose characteristics of their contractual flows do not substantially represent a "basic financing agreement". This would include portfolios classified under the headings "Financial assets held for trading", "Non-trading financial assets obligatorily measured at fair value through profit or loss" and "Financial assets designated at fair value through profit or loss".

Equity instruments will be classified at fair value under IFRS 9, with changes in profit or loss, unless the Group decides, for non-trading assets, to classify them at fair value with changes in other comprehensive income (irrevocably) in the initial moment.

iii. Classification of financial assets for presentation purposes

Financial assets are classified by nature into the following items in the consolidated balance sheet:

- Cash and balances at central banks and other demand deposits: Cash balances and immediately available debtor balances originating from deposits held in central banks and credit institutions.

- Loans and advances: Debit balances of all credits or loans granted by the Group except securities, receivables of financial leasing transactions and other financial debtor balances in favor of the Group, such as checks by credit institutions, balances outstanding from liquidating chambers and bodies for exchange transactions and organized markets, cash bonds, passive dividends required, fees for financial guarantees pending collection and debtor balances for transactions that do not originate from banking operations and services such as the collection of rents and the like. They are classified according to the institutional sector to which the debtor belongs in:

  - Central Banks: Credits of any nature, including deposits and money market operations, in the name of the Bank of Spain or other central banks.

  - Credit institutions: Credit of any nature, including deposits and money market operations, on behalf of credit institutions.

  - Customers: Collects the remaining credits, including money market operations carried out through central counterparties.

- Debt instruments: Bonds and other securities which recognize a debt for its issuer, which accrue remuneration in the form of interest, and which are set in securities or account notes.

- Equity instruments: Financial instruments issued by other entities, such as shares, which have the nature of equity instruments for the issuer, except for interests in dependent entities, associates and joint ventures. This item includes investment fund holdings.

- Derivatives: Includes the fair value in favor of the Group of financial derivatives that are not part of accounting hedges, including segregated implicit derivatives of hybrid financial instruments.

- Temporary asset acquisitions: purchases of financial instruments with the commitment of their non-optional retrocession at a given price (repos) are recorded in the consolidated balance sheet as a financing granted according to the nature of the corresponding debtors, under the heading 'Loans and advances' ('central banks', 'credit institutions' or 'clientele'). The difference between purchase and sale prices is recorded as financial interest over the life of the contract.

- Changes in the fair value of covered items in a portfolio covered by interest rate risk: counterparty chapter of amounts charged to the consolidated profit and loss account resulting from the valuation of portfolios of financial instruments that are effectively covered by interest rate risk through fair value hedging derivatives.

- Derivatives – Hedge Accounting: Includes the fair value in favor of the Group of derivatives, including segregated implicit derivatives of hybrid financial instruments, designated as hedging instruments in accounting hedges.

iv. *Classification* of financial liabilities for valuation purposes

Financial liabilities are initially classified into the various categories in which they are classified for the purposes of their management and valuation, unless they must be presented as liabilities associated with non-current assets on sale, or correspond to derivatives – hedge accounting, changes in the fair value of covered items in an interest rate risk hedged portfolio, which are shown independently.

Financial liabilities are included for valuation purposes in one of the following portfolios:

- Financial liabilities held for trading (at fair value through profit and loss): financial liabilities issued with the aim of benefiting in the short term from changes in their prices, financial derivatives that are not considered book-hedging, and financial liabilities arising from the firm sale of financial assets temporarily acquired or borrowed (short positions).

- Financial liabilities designated at fair value through profit or loss: Financial liabilities are included in this category where more relevant information is obtained either because this eliminates or significantly reduces inconsistencies in recognition or valuation (also called accounting asymmetries) which would arise from the valuation of assets or liabilities or from the recognition of their gains or losses under different criteria, either because there is a group of financial liabilities, or financial assets and liabilities, and they are managed and their performance assessed on the basis of their fair value, in accordance with a documented risk management or investment strategy and information from that group is also provided on the basis of fair value to key staff of the Group's management. Liabilities may only be included in this portfolio on the date of issue or origination.

- Financial liabilities at amortized cost: Financial liabilities that are not included in any of the above categories and that respond to the typical fundraising activities of financial institutions, regardless of their form of instrumentalization and their maturity.

v. *Classification* of financial liabilities for presentation purposes

Financial liabilities are included, for the purpose of their presentation according to their nature in the consolidated balance sheet, under the following headings:

- Deposits: Includes amounts of repayable balances received in cash by the institution, including those in the nature of subordinated liabilities (the amount of financing received which, for credit priority purposes, are behind common creditors), except for debt securities. It also includes bonds and cash appropriations received whose amount can be freely invested. Deposits are classified according to the institutional sector to which the creditor belongs in:

    - Central Banks: Deposits of any nature including credits received and money market operations received from the Bank of Spain or other central banks.

- Credit institutions: Deposits of any nature, including credits received and money market transactions on behalf of credit institutions.

- Customer: includes the remaining deposits, including the amount of money market transactions carried out through central counterparties.

During the financial year 2019 the European Central Bank announced a new Targeted Long-Term Refinancing Operations Program (TLTRO III), which included special conditions, including: a reduction in the interest rate applicable between June 2020 and June 2022 subject to the fulfillment of a certain volume of computable loans.

Grupo Santander Consumer Finance chose to accrue interest according to the specific periods of adjustment to market rates, so it has recorded in the income statement from June 2020 to June 2022 the interest corresponding to that period (-1%), having met the threshold for computable loans resulting from the extratipe as at that date.

Subsequently, and following the changes made by the European Central Bank to the terms of the program, which include changes in its interest rates, the Group has updated the effective interest rate at which the interest accrues on that financial liability, maintaining the approach adopted in previous years, and considering these modifications a change in the variable interest rate (affecting the TAR) and is applied prospectively.

– Debt securities issued: Includes the amount of bonds and other debts represented by marketable securities, including those having the nature of subordinated liabilities (the amount of financing received which, for the purpose of credit priority, lie behind common creditors. It also includes the amount of financial instruments issued by the Group that, having the legal nature of capital, do not meet the requirements to qualify as equity, such as certain preferred shares issued). This item includes the financial liability component of issued securities that are composite financial instruments.

– Derivatives: Includes the fair value with unfavorable balance for the Group of derivatives, including implicit derivatives that have been segregated from the main contract, which are not part of accounting hedges.

– Short Positions: The amount of financial liabilities arising from the firm sale of financial assets temporarily acquired or borrowed.

– Other financial liabilities: Includes the amount of obligations payable in the nature of financial liabilities not included elsewhere and liabilities for financial collateral contracts, unless classified as non-performing.

– Temporary assignments of assets: sales of financial instruments with the commitment of their non-optional retrocession at a given price (repos) are recorded in the consolidated balance sheet as a financing received according to the nature of the corresponding creditor, under the heading 'Deposits' ('Central banks', 'Credit institutions' or 'Clientele'). The difference between purchase and sale prices is recorded as financial interest over the life of the contract.

– Changes in the fair value of covered items in a portfolio covered by interest rate risk: counterparty chapter of amounts charged to the consolidated profit and loss account resulting from the valuation of portfolios of financial instruments that are effectively covered by interest rate risk through fair value hedging derivatives.

– Derivatives – Hedge Accounting: Includes the fair value against the Group of derivatives, including segregated implicit derivatives of hybrid financial instruments, designated as hedging instruments in accounting hedges.

c) Measurement of financial assets and liabilities and recognition of fair value changes

Generally, financial assets and liabilities are initially recorded at their fair value, which, unless evidence to the contrary, is the price of the transaction. For instruments not measured at fair value through profit and loss changes it is adjusted to transaction costs.

In this regard, IFRS 9 provides that conventional purchases or sales of financial assets will be recognized and discharged according to the trading date or the settlement date. The Group has chosen to record such a record on the trading date or settlement date in accordance with the convention of each of the markets in which the transactions are made. For example, in relation to the purchase or sale of debt securities or equity instruments traded on the Spanish market, the securities market regulations establish their effective transfer at the time of settlement, therefore, the same time has been established for the accounting record.

The fair value of instruments not measured at fair value through profit and loss is adjusted to transaction costs. Subsequently, and at the time of each accounting closure, they are valued according to the following criteria:

i. Measurement of financial assets

Financial assets are valued primarily at fair value without deducting any transaction costs for their sale.

The fair value of a financial instrument, at a given date, is understood to be the price that would be received for the sale of an asset or paid to transfer a liability through an orderly transaction between market participants. The most objective and common reference to fair value of a financial instrument is the price that would be paid for it in an active, transparent and deep market (trading price or market price). As at 31 December 2023, there is no significant investment in listed financial instruments that has ceased to be recorded for its trading value as a result of the fact that its market cannot be considered as active.

If there is no market price for a given financial instrument, the fair value of a financial instrument is estimated to be that established in recent transactions of similar instruments and, failing that, to valuation models sufficiently contrasted by the international financial community, taking into account the specific peculiarities of the instrument to be assessed and, in particular, the different types of risk associated with the instrument.

All derivatives are recorded on the balance sheet at fair value from the date of purchase. If their fair value is positive they will be recorded as an asset and if it is negative they will be recorded as a liability. At the date of procurement, it is understood that, unless evidence to the contrary, its fair value is equal to the price of the transaction. Changes in the fair value of derivatives designated as accounting hedging from the date of procurement are recorded in return in the profit and loss account consolidated under the heading Gains or losses from hedging accounting, net. In particular, the fair value of financial derivatives traded on organized markets included in trading portfolios is assimilated to their daily trading and if, for exceptional reasons, their trading cannot be established on a given date, methods similar to those used to value derivatives contracted in non-organized markets are used to value them.

The fair value of these derivatives is assimilated to the sum of future cash flows originating in the instrument, discounted at the valuation date (present value or theoretical closing), using methods recognized by the financial markets in the valuation process: net present value, options pricing models, among other methods.

Balances of securities representing debt and loans and advances under a business model whose objective is to collect principal and interest flows are valued at their amortized cost, provided they meet the SPPI test (solely Payments of Principal and Interest) using the effective interest rate method in its determination. Amortized cost means the acquisition cost of a corrected financial asset or liability (in more or less, as the case may be) for principal repayments and the systematically charged portion of the difference between the initial cost and the corresponding maturity repayment value to the consolidated profit and loss account. In the case of financial assets, the amortized cost also includes impairment-related corrections to their value. Loans and advances covered in fair value hedging transactions record changes in fair value related to the risk or the risks covered in such hedging operations.

The effective interest rate is the refresh rate that exactly equates the initial value of a financial instrument to the totality of its cash flows estimated by all concepts throughout its remaining life. For financial instruments at fixed interest rates, the effective interest rate coincides with the contractual interest rate established at the time of their acquisition plus, where appropriate, the transaction fees and costs which, by their nature, are part of their financial performance. In variable interest rate financial instruments, the effective interest rate coincides with the rate of return in effect for all items until the first revision of the benchmark interest rate to take place.

Equity instruments and contracts related to those instruments should be measured at fair value. However, in certain specific circumstances, the Group considers that the cost is an adequate estimate of fair value. This may be the case if the newly available information is insufficient to measure such fair value, or if there is a wide range of possible fair value measurements and the cost represents the best estimate of fair value within that range. The amounts for which financial assets are recorded represent, in all significant respects, the Group's highest level of credit risk exposure at each reporting date. The Group has collateral taken and other credit improvements to mitigate its exposure to credit risk, consisting mainly of mortgage, cash, and other credit guarantees. of equity and personal instruments, assets transferred in *leasing* and *renting, assets acquired with repurchase agreement, securities loans and credit derivatives.*

ii. Measurement of financial liabilities

Financial liabilities are generally valued at their amortized cost, as defined above, except those included in the Financial liabilities held for trading chapters, financial liabilities at fair value through profit or loss and financial liabilities designated as items covered in fair value hedges (or as hedging instruments) the book value of which is modified by changes in fair value related to the risk or the risks covered in such hedging operations. Changes in credit risk arising from financial liabilities designated at fair value through profit or loss shall be recorded in other cumulative comprehensive income, unless they generate or increase accounting asymmetry, in which case, changes in the fair value of the financial liability in all its concepts shall be recorded in the income statement.

Valuation techniques

Financial instruments at fair value and determined by published quotes on active markets (Level 1), include public debt, private debt and derivatives traded on organized markets, securitized assets, shares and issued fixed income.

In cases where the fair value of a financial instrument cannot be obtained from its market quotes, the Group makes its best fair value estimate using its own internal models. In most cases, these internal models use data based on observable market parameters as significant *inputs* (Level 2) and, in limited cases, use significant unobservable *inputs* in market data (Level 3). To make this estimate, various techniques are used, including extrapolation of observable market data. The best evidence of the fair value of a financial instrument at the initial time is the price of the transaction, unless the value of that instrument can be obtained from other transactions made on the market with the same or similar instrument, or value it using a valuation technique where the variables used include only observable data in the market, mainly interest rates (see note 43).

iii. Results recognision

As a general rule, changes in the carrying value of financial assets and liabilities are recorded in return in the consolidated profit and loss account, differentiating between those originating in the accrual of interest and similar concepts (which are recorded in the chapters Interest income or interest expense, as appropriate), and those for other causes. The latter are recorded, at their net amount, in the chapter Gains or losses on financial assets or liabilities.

Adjustments for changes in fair value resulting from:

- Financial assets at fair value through other cumulative comprehensive income are recorded on a transitory basis, for debt instruments in other cumulative comprehensive income – items that may be reclassified into profit or loss – financial assets at fair value through other comprehensive income, whereas equity instruments are recorded in other cumulative comprehensive income – items that will not be reclassified into profit or loss – changes in the fair value of equity instruments measured at fair value through changes in other comprehensive income. The exchange differences of debt instruments measured at fair value through other cumulative comprehensive income are recognized in the chapter Exchange differences, net of the consolidated profit and loss account. Differences in exchange for equity instruments, in which the option of irrevocably has been chosen, if measured at fair value through other cumulative comprehensive income, the chapter recognizes other cumulative comprehensive income – Elements not to be reclassified into profit or loss – Changes in the fair value of equity instruments measured at fair value through other comprehensive income.

- Items charged or paid to equity headings Other cumulative comprehensive income – items that can be reclassified into profit or loss – financial assets at fair value through other comprehensive income and other cumulative comprehensive income – items that can be reclassified into profit or loss – currency conversion remain as part of the Group's consolidated net worth until the consolidated balance sheet deteriorates or declines the assets from which they originate, at which point they are canceled against the consolidated profit and loss account.

– Unrealized gains from financial assets at fair value through other comprehensive income classified as non-current assets held for sale as part of a disposal group or a discontinued transaction are recorded in return under equity other income cumulative global – items that can be reclassified into profit or loss – non-current assets and disposal groups of items that have been classified as held for sale.

iv. Hedging transactions

The consolidated entities use financial derivatives to manage the risks of the Group's own positions and their assets and liabilities ("derivatives – hedge accounting") or to benefit from the changes these derivatives experience in their value.

Any financial derivative that does not meet the conditions that allow it to be considered as hedging is treated, for accounting purposes, as a "trading derivative".

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of risk, and therefore they can be categorized into one of the following categories:

   – Changes in the fair value of assets and liabilities due to fluctuations, inter alia, in the interest rate and/or exchange rate at which the position or balance to be hedged is subject ("fair securities hedging");

   – Alterations in estimated cash flows originating in the financial assets and liabilities covered by the hedge, commitments and highly probable transactions to be carried out ("cash flow hedging");

   – Net investment in a foreign business ("hedge of a net investment in a foreign operation").

2. It is effectively offsetting exposure inherent in the hedged position throughout the intended term of coverage, implying that:

   – At the time of arrangement, it is expected that, under normal conditions, it will act with a high degree of effectiveness ("prospective effectiveness");

   – There is sufficient evidence that coverage was actually effective throughout the life of the covered item or position ("retrospective effectiveness"). To this end, the Group verifies that the results of the coverage have varied within a range of 80% to 125%, with respect to the hedged item.

3. The hedging operation has been properly documented, so that there is evidence that the contracting of the financial derivative took place specifically to cover certain balances or transactions and the way in which it was intended to be achieved, measuring this coverage provided that this form is consistent with the risk management carried out by the Group.

Differences in the valuation of accounting hedges are recorded according to the following criteria:

– In fair value hedges, differences in both hedging elements and covered items (as regards the type of risk covered) are recognized directly in the consolidated profit and loss account.

– In fair value hedges of the interest rate risk of a portfolio of financial instruments, the gains or losses arising from the valuation of hedging instruments are recognized directly in the consolidated profit and loss account; while gains or losses due to changes in fair value of hedged amount (attributable to hedged risk) they are recognized in the consolidated profit and loss account using as a counterpart the heading "Changes in fair value of covered items in a portfolio covered by interest rate risk (asset or liability), as appropriate.

– In cash flow hedges, the effective part of the change in the value of the hedging instrument is temporarily recorded under the equity heading "Other cumulative overall income – elements that can be reclassified into profit or loss – hedging derivatives. Cash flow hedges (effective portion)" until the time the planned transactions occur, then recorded in the consolidated profit and loss account, unless included in the cost of the non-financial asset or liability, in the event that the planned transactions end in the recognition of non-financial assets or liabilities.

- In hedges of net investments in foreign businesses, the differences in valuation arising in the effective coverage part of the hedging elements are temporarily recorded under the equity heading "Other cumulative overall income – items that can be reclassified into profit or loss – hedges of net investments in foreign businesses" until they are recorded at results the gains or losses of the covered item.

- Differences in the valuation of the hedging instrument corresponding to the ineffective part of the hedging operations of cash flows and net investments in foreign business are carried directly to the consolidated profit and loss account, under the heading "Gains or losses from hedge accounting, net".

Any adjustment to the carrying amount of a covered financial instrument to which the effective interest rate method applies (or, in the case of a portfolio covered by interest rate risk, under the item under the separate heading) it will be amortized against the result of the exercise. Depreciation may commence as soon as the adjustment is made, and shall commence no later than the time the hedged item ceases to be adjusted for changes in fair value attributable to the hedged risk. The adjustment shall be based on the effective interest rate, recalculated on the date on which the amortization begins. However, in the case of fair value coverage of the interest rate exposure of a portfolio of financial assets or financial liabilities (and only for this form of hedging), provided that amortization using a recalculated effective interest rate is impracticable, the adjustment will be amortized using the linear method. In any event, the adjustments shall be amortized in full at the maturity of the financial instrument or, in the case of a portfolio covered by interest rate risk, at the expiry of the period of time corresponding to the revision.

If a derivative assigned as hedge, either by its termination, ineffectiveness or any other cause, does not meet the requirements indicated above, for accounting purposes, said derivative is considered as a trading derivative.

When fair value coverage is discontinued, adjustments previously recorded on the covered item are charged to profit or loss using the effective interest rate method recalculated on the date it ceases to be covered, and must be fully amortized upon maturity.

When cash flow hedges are discontinued, the cumulative result of the hedging instrument recognized in the equity chapter "Other cumulative comprehensive income" (while hedging was effective) will continue to be recognized in that chapter until the hedging transaction occurs, when it will be recorded in results, unless it is foreseen that the transaction will not be carried out, in which case they are immediately recorded in results.

v. Derivatives embedded in hybrid financial instruments

Derivatives implicit in financial liabilities or other major contracts are separately recorded as derivatives where their risks and characteristics are not closely related to those of the main contracts and provided that those major contracts are not classified in the categories of financial liabilities designated at value reasonable with changes in results.

d) Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is conditioned by the extent and manner in which the risks and benefits associated with the assets being transferred are transferred to third parties:

- If the risks and profits are transferred substantially to third parties - in the case of unconditional sales, of sales with repurchase agreement at fair value on the date of repurchase, sales of financial assets with a purchase option acquired or sale issued deeply out of money, of asset securitizations, where the assignor does not retain subordinate financing or grant any credit enhancement to new holders and other similar cases-, the transferred financial asset is deregulated from the consolidated balance sheet, recognizing, simultaneously, any rights or obligations retained or created as a result of the transfer.

- If the risks and benefits associated with the transferred financial asset are substantially retained - in the case of sales of repurchase financial assets for a fixed price or for the sale price plus interest, securities loan agreements in which the borrower is obliged to repay the same or similar assets, in the case of securitizations of assets in which the assignor maintains some form of subordinated financing or grants some form of credit enhancement to new holders that involves substantially assuming the credit risk of the transferred assets and other similar cases-, the transferred financial assets are not derecognized from the consolidated balance sheet and continue to be valued using the same criteria used before the transfer. On the contrary, the following are recognized as accounting:

- An associated financial liability of an amount equal to the consideration received, which is generally valued after its amortized cost, unless it meets the requirements to be classified as other liabilities at fair value through profit and loss.

- Both income from the transferred (but not derecognized) financial asset and expenses from the new financial liability.

- If the risks and benefits associated with the transferred financial asset are not substantially transferred or retained - in the case of sales of financial assets with an acquired or issued purchase option that are not deeply in or out of money, for securitizations in which the assignor assumes subordinated financing or other credit enhancements for a portion of the transferred asset and other similar cases - a distinction is made between:

  - If the transferring entity does not retain control of the transferred financial asset: The balance sheet is removed and any rights or obligations retained or created as a result of the transfer are recognized.

  - If the transferring entity retains control over the transferred financial asset: It continues to recognize it on the balance sheet for an amount equal to its exposure to changes in value that it may experience and recognizes a financial liability associated with the transferred financial asset. The net amount of the transferred asset and the associated liability shall be the amortized cost of the rights and obligations retained, if the transferred asset is measured by its amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured by its fair value.

In accordance with the above, financial assets are removed from the balance sheet only when the rights on the cash flows they generate have been extinguished or when the risks and benefits involved have been substantially transferred to third parties. Similarly, financial liabilities are only removed from the balance sheet when the obligations they generate have expired or when they are acquired with the intention of cancelling or relocating them.

As regards contractual modifications to financial assets, the Group has differentiated them into two main categories in relation to the conditions under which a modification entails a derecognition of the financial asset (and the recognition of a new financial asset). and those under which the accounting of the original financial instrument is maintained under the modified terms:

- Contractual modifications for commercial or market reasons, which are usually conducted at the request of the debtor to apply current market conditions to the debt. The new contract is considered a new transaction and, consequently, it is necessary to decommission the original financial asset and recognize a new financial asset subject to the classification and measurement requirements set out in IFRS 9. In addition, the new financial asset shall be recorded at fair value and, if applicable, the difference between the carrying value of the decreased asset and the fair value of the new asset shall be recognized in profit or loss.

- Refinancing or restructuring modifications, in which the payment terms are modified, allowing a customer who is experiencing financial difficulties (current or foreseeable) to meet its payment obligations and who, in the absence of such change, there would be reasonable certainty that it would not be able to meet such payment obligations. In this case, the change does not result in the loss of the financial asset, but rather maintains the original financial asset and does not require a new assessment of its classification and measurement. When assessing credit impairment, the current credit risk (considering modified cash flows) should be compared with the credit risk at the initial recognition. Finally, the gross carrying amount of the financial asset (the present value of renegotiated or modified contractual cash flows that are deducted at the original effective interest rate of the financial asset) should be recalculated, recognizing a gain or loss in profit or loss for the difference.

The Group routinely conducts securitization of financial assets in which it substantially retains the risks and benefits associated with such financial assets. The details of the securitized assets held in the consolidated balance sheet as at December 31, 2023 and 2022, distributed by consolidated entity, are included in Note 10 to this report.

e) *Offsetting of financial instruments*

Financial asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, only if the entities of the Group currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

As at 31 December 2023 and 2022, there are no financial assets or liabilities of significant amounts that have been offset on the consolidated balance sheet at those dates.

f) *Impairment of financial assets*

i. Definition

The Group associates an impairment correction to financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, lease charges, as well as commitments and guarantees granted not measured at fair value.

The impairment correction for expected credit losses is constituted from the consolidated profit and loss account for the period in which the impairment is manifested. If it occurs, recoveries of previously recorded impairment credit losses are recognized in the consolidated income statement for the period in which the impairment ceases to exist or is reduced.

In the case of impaired credit assets originating or purchased, the Group only recognizes, at the filing date, the accumulated changes in expected credit losses over the life of the asset since initial recognition as a correction of value for losses. For assets measured at fair value through other comprehensive income, the share of fair value changes due to expected credit losses is reflected in the profit and loss account for the period in which the change occurs, reflecting the rest of the valuation in another overall result.

In general, the expected credit loss is estimated as the difference between all contractual cash flows to be recovered under the contract and all cash flows expected to be received discounted at the original effective interest rate. In the case of financial assets purchased or originated with credit impairment, this difference is deducted using the effective interest rate adjusted for their credit quality.

Depending on the classification of financial instruments, referred to in the following paragraphs, the expected credit losses may be 12 months or over the lifetime of the financial instrument:

- Expected 12-month credit losses: These are the portion of expected credit losses that result from potential default events, as defined in the following sections, estimated to occur within 12 months of the reporting date. These losses will be associated with financial assets classified as “normal risk” as defined in the following sections.

- Expected credit losses over the entire life of the financial instrument: These are expected credit losses resulting from potential default events that are estimated to occur throughout the life of the transaction. These losses are associated with financial assets classified as “normal risk under special surveillance” or “doubtful risk”.

For the purpose of estimating the expected life of a financial instrument, all contractual terms (e.g. advance payments, duration, purchase options, etc.) have been taken into account, with the contractual period (including extension options) being the maximum period to be considered to measure expected credit losses. In the case of financial instruments with an undefined contractual maturity and an available balance component (e.g. credit cards), the expected life is estimated by quantitative analysis to determine the period during which the institution is exposed to credit risk, also considering the effectiveness of management practices that mitigate such exposure (e.g. ability to unilaterally cancel such financial instruments, etc.).

The following guarantees are effective guarantees:

a) Mortgage guarantees on real estate, which are first charge, provided that they are duly constituted and registered in favor of the entity. Real estate includes:

   i) Buildings and elements of finished buildings distinguishing between:

   – Housing;
   – Offices and commercial premises and multi-purpose warehouses;
   – Other buildings such as non-polyvalent warehouses and hotels.

   ii) Urban and developable ordered land.

   iii) Rest of property that classify as: buildings and elements of buildings under construction, such as ongoing promotions and stopped promotions, and the rest of land, such as rustic estates would be classified.

b) Collateral on financial instruments such as cash deposits, debt securities of reputable issuers or equity instruments.

c) Other types of collateral, including movable property received as collateral and second and successive mortgages on immovable property, provided that the entity demonstrates its effectiveness. In order to assess the effectiveness of second and successive mortgages on real estate, the institution will apply particularly restrictive criteria. It will take into account, among others, whether or not the above charges are in favor of the entity itself and the relationship between the risk guaranteed by them and the value of the property.

d) Personal guarantees, as well as the incorporation of new holders, that cover the entire amount of the transaction and that imply direct and joint and several liability to the entity of persons or entities whose equity solvency is sufficiently verified to ensure the reimbursement of the operation in the agreed terms.

ii. Classification of financial instruments

For the purpose of calculating the impairment correction, and in accordance with its internal policies, the Group classifies its financial instruments (financial asset, risk or contingent commitment) measured at amortized cost or at fair value through other comprehensive income into one of the following categories:

– Normal risk (“Stage 1”): Includes all instruments that do not meet the requirements to be classified in the other categories.

– Normal Risk in Special Surveillance (“Stage 2”): Includes all instruments that, without meeting the criteria to be classified as doubtful or failed risk, have significant increases in credit risk since initial recognition.

For the purpose of determining whether a financial instrument has increased its credit risk since initial recognition by classifying it in stage 2, the Group considers the following criteria:

Quantitative criteria	Changes in the risk of default occurring over the expected life of the financial instrument relative to its credit level on its initial recognition are analyzed and quantified. In order to determine whether this change is considered significant, within the framework of Stage 2, each unit of the Group has defined the quantitative thresholds to be considered in each of its portfolios, taking into account corporate guides and ensuring a consistent interpretation between different geographies. Within the aforementioned quantitative thresholds, two types are considered: The relative threshold is understood to be one that compares the current credit quality with the credit quality at the time of origination in percentage terms of variation. In addition, an absolute threshold compares both references in total terms, calculating the difference between the two. These absolute/relative concepts are used homogeneously (with different values) across all geographies. The use of this type of threshold or another (or both) is determined according to the rational process explained in note 47, and is marked by the type of portfolio and characteristics such as the starting point of the average credit quality of the portfolio.
Qualitative criteria	In addition to the quantitative criteria indicated, various indicators are used that are aligned with those employed by the Group in the ordinary management of credit risk. Irregular positions of more than 30 days and redirections are common criteria in all units of the Group. In addition, each unit can define other qualitative indicators, for each of its portfolios, according to the particularities and ordinary management practices in line with current policies (e.g. use of management alerts, etc.). The use of these qualitative criteria is complemented by the use of an experienced expert judgment, submitted in his case to the appropriate government.

In the case of reversals, instruments classified as "normal risk under watchlist " may generally be reclassified to "normal risk" when the following circumstances occur: A minimum period of two years has elapsed from the date of reclassification to that category or from the date of reclassification, that the client has paid the accrued principal and interest accounts, and that the client has no other instrument with overdue amounts of more than 30 days.

- Doubtful risk ("Stage 3"): Includes financial instruments, whether overdue or not, in which, without the circumstances to classify them in the category of failed risk, there are reasonable doubts as to their full reimbursement (principal and interest) by the client under the terms contractually agreed. Similarly, off-balance-sheet exposures likely to be paid and their recovery doubtful are considered at Stage 3. Within this category, two situations are differentiated:

  - Doubtful risk due to late payment: Financial instruments, whatever their holder and guarantee, that have some amount due by principal, interest or contractually agreed expenses, with more than 90 days of seniority. Also, the amounts of all transactions of a client are considered in this category where transactions with amounts due more than 90 days old are more than 20 % of the amounts outstanding.

    These instruments may be reclassified to other categories if, as a result of the recovery of part of the overdue amounts, the reasons for their classification in this category disappear and the client has no overdue amounts more than 90 days old in other transactions.

  - Doubtful risk for reasons other than late payment: This category includes doubtful recovery operations that do not present any amount due more than 90 days old.

The Group finds that a transaction is doubtful for reasons other than late payment where an event, or several events combined, has occurred with a negative impact on the estimated future cash flows of the transaction. To this end, the following indicators are considered, among others:

a) Negative net worth or decrease as a result of losses of the client's net worth by at least 50% during the last financial year.

b) Continued losses or significant decline in the customer's turnover or, in general, recurring cash flows.

c) Widespread delay in payments or insufficient cash flows to meet debts.

d) Significantly inadequate economic or financial structure, or inability to obtain additional financing from the client.

e) Existence of credit rating, internal or external, which shows that the client is in a situation of default.

f) Existence of overdue commitments of the client of significant amount toward public bodies or employees.

These transactions may be reclassified to other categories if, as a result of an individualized study, reasonable doubts about their full reimbursement in the terms contractually agreed and there are no amounts due more than 90 days old.

In the case of reversals, instruments classified as doubtful risk may be reclassified to the category of "normal risk under special surveillance" where the following circumstances occur: a minimum period of one year has elapsed from the date of referral, that the customer has paid the accrued principal and interest accounts, and that the customer has no other instrument with overdue amounts of more than 90 days.

– Default Risk: Includes all financial assets, or the part thereof, for which after an individualized analysis their recovery is considered remote due to a noticeable and irrecoverable deterioration of their solvency.

  In any event, except for transactions with collateral that cover more than 10% of the transaction amount, the Group generally considers as remote recovery: transactions of holders at the liquidation stage of the insolvency proceedings are non-performing transactions due to late payment which have a seniority in this category exceeding 2 years minimum depending on the country.

  The balances for a financial asset are kept on balance sheet until they are considered as a "failed risk", either the whole or a portion of that financial asset, and are lowered on the balance sheet.

  In the case of transactions which have only been partially derecognized, on the grounds of removal or by the fact that a part of the total amount is considered irrecoverable, the remaining amount shall be classified in full in the category of "doubtful risk", except for duly justified exceptions.

  The classification of a financial asset, or a portion thereof, as a "default risk" does not imply the interruption of negotiations and legal proceedings to recover its amount.

iii. Impairment valuation assessment

The Group has policies, methods and procedures in place to cover its credit risk, both for the insolvency attributable to counterparties and for its residence in a given country. These policies, methods and procedures are applied in the granting, study and documentation of financial assets, risks and contingent commitments, as well as in the identification of their impairment and in the calculation of the amounts necessary to cover their credit risk.

The impairment model of IFRS 9 applies to financial assets measured at amortized cost, to debt instruments measured at fair value through other comprehensive income, to lease charges, as well as commitments and guarantees granted not measured at fair value.

The impairment correction represents the best estimate of the expected credit losses of the financial instrument at balance sheet date, both individually and collectively:

– Individually: For the purpose of carrying out estimates of credit risk provisions for insolvencies of a financial instrument, the Group carries out an individualized estimate of the expected credit losses of those financial instruments that are considered significant and with sufficient information to make such calculation.

  The individualized estimate of the impairment correction of the financial asset is equal to the difference between the gross carrying amount of the operation and the value of the estimate of the cash flows expected to be collected discounted using the original effective interest rate of the operation. The estimation of such cash flows takes into account all available information on the financial asset as well as the effective guarantees associated with that asset.

– Collectively: The Group estimates the expected credit losses collectively in cases where they are not estimated on an individual basis. This includes, for example, risks to individuals, individual entrepreneurs or retail banking companies subject to standardized management.

  For the purpose of collectively calculating expected credit losses, the Group has robust and reliable internal models. For the development of such models, instruments that have similar credit risk characteristics that are indicative of the capacity to pay of the debtors are considered.

The credit risk characteristics that are considered for grouping instruments include: type of instrument, sector of activity of the debtor, geographical area of activity, type of guarantee, age of amounts due and any other factor that is relevant to the estimation of future cash flows.

The Group conducts retrospective and follow-up tests on these estimates to assess the reasonableness of the collective calculation.

On the other hand, the methodology required for the quantification of the expected loss by credit events is based on an unbiased and weighted consideration by probability of occurrence of a series of scenarios, considering a range of three to five possible future scenarios, depending on the characteristics of each unit, which could impact on the collection of contractual cash flows, always taking into account both the time value of the money, as well as all available and relevant information on past events, current conditions and predictions of the evolution of the macroeconomic factors that prove relevant for the estimation of this amount (for example: GDP (gross domestic product), housing price, unemployment rate, etc.).

Estimating expected losses requires expert judgment and the support of historical, current and future information. The probability of loss is measured considering past events, the present situation and future trends of macroeconomic factors. Grupo Santander uses forward-looking information in internal and regulatory management processes, incorporating various scenarios leveraging the experience with such information to ensure the consistency of processes.

Grupo Santander Consumer Finance uses forward-looking information in both internal risk management and prudential regulation processes, so that for the calculation of the correction for impairment of value, various scenarios are incorporated that take advantage of the experience with this information, thus ensuring consistency in obtaining the expected loss.

The complexity of the estimate in this exercise has been derived from the current macroeconomic scenario as a result of the war in Ukraine, as well as the increasing level of inflation and interest rates, and difficulties in supply chains, including the economic and economic situation. this has generated some uncertainty in the economic evolution.

Grupo Santander Consumer Finance has internally ensured the criteria to be followed on the guarantees received by the State Administrations, both through credit lines and through other public guarantees, so that when they are adequately reflected in each of the contracts, they are counted as mitigating factors of the potential expected losses, and therefore of the provisions to be provided, based on the provisions of the applicable rule. Furthermore, where appropriate, such guarantees are adequately reflected in mitigating the significant increase in risk, considering their nature as personal guarantees.

For the estimation of the parameters used in the estimation of impairment provisions (EAD (Exposure at Default), PD (Probability of Default), LGD (Loss Given Default), the Group has based on its experience in developing internal models for the calculation of parameters both in the regulatory field and for management purposes, adapting the development of the models of impairment provisions under IFRS9.

- Exposure to *default: The amount of risk incurred estimated at the time of the counterparty analysis.*

- Probability of *default: Is the estimated probability that the counterparty will default on its capital and/or interest payment obligations.*

- *Loss given default: Is the estimate of the severity of the loss produced in the event of a default. It depends mainly on the updating of the guarantees associated with the operation and the future flows expected to be recovered.*

In any case, when estimating the flows expected to recover, portfolio sales are included. It should be noted that due to the Group's recovery policy and the experience observed in relation to past sales prices in assets classified as Stage 3 and/or failed, there is no substantial divergence between the flows from recoveries from asset recovery with those from the sale of asset portfolios discounting structural costs and other costs incurred.

The definition of default implemented in the other units of the Group for the purpose of calculating the impairment provisions models is based on the definition in Article 178 of Regulation 575/2013 of the European Union (CRR), which is fully aligned with the requirements of the IFRS9, which considers that there is a "default" in relation to a certain client / contract when at least one of the following circumstances occurs: the institution considers that there are reasonable doubts about the payment of all its credit obligations or that the client/contract is in an irregularity situation for more than 90 consecutive material arrears with respect to any significant credit obligation.

Grupo Santander Consumer Finance has partially and voluntarily aligned during the 2022 financial year, both the accounting definition of stage 3, and the calculation of the impairment provisions models, to Default's New Definition incorporating the criteria defined by the EBA in its implementation guide of the default definition, capturing the economic deterioration of operations (days in default - on a daily basis - and materiality thresholds - minimum amount in arrears). The alignment of criteria has been carried out taking into account the criteria of IFRS 9, as well as the accounting principles of fair financial reporting. Grupo Santander Consumer Finance has recorded an expected increase in the NPL rate is estimated at around 23 basis points, with no material impact on credit risk provision figures.

In addition, the Group considers the risk that arises in all cross-border transactions, due to circumstances other than the usual commercial risk due to insolvency (sovereign risk, transfer risk or risks arising from international financial activity, such as wars, natural disasters, balance of payments crises, etc.).

IFRS9 includes a series of practical solutions that can be implemented by entities, with the aim of facilitating their implementation. However, in order to achieve a full and high-level implementation of the standard, and following industry best practices, the Group does not apply these practical solutions in a generalized manner:

- Rebuttable presumption of significant increase in risk from 30 days of default: This threshold is used as an additional indicator, but not as a primary indicator in determining the significant increase in risk. In addition, there are some cases in the Group, in which its use has been refuted through studies that show a low correlation of the significant increase in risk with this threshold of delay. The refuted volume does not exceed 0.1% of the Group's total exposure.

- Assets with low credit risk as of the reporting date: The Group analyzes the existence of a significant increase in risk in all its financial instruments.

This information is further broken down in Note 47.II (credit risk).

g) *Detail of the individualised estimate of the correction of impairment*

For the individualised estimation of the impairment correction of the financial asset, the Group has a specific methodology to estimate the value of the cash flows expected to be collected. Generally, such recovery may be estimated on the basis of:

- Recovery via debt repayment for cash flows generated by the debtor's ordinary activities (Going Concern approach).

– Recovery via repayment of the debt for the execution and subsequent sale of collateral that guarantee the operations (Gone Concern approach).

In case of estimating the recovery using a "Gone Concern" approach, each of the Group's units has developed its own methodology which is based on the following methodological principles:

a. Evaluation of the effectiveness of guarantees

The Group makes an assessment of the effectiveness of all guarantees associated with the financial asset subject to an individual impairment assessment. The following aspects are considered for this assessment:

- The time required to enforce such guarantees;
- The ability of the Group to enforce or enforce these guarantees in its favor;
- Existence of limitations imposed by the local regulation of each unit on the foreclosure of guarantees.

Under no circumstances does the Group consider that a guarantee is effective if its effectiveness depends substantially on the solvency of the debtor or its economic group, as could be the case:

- Promises of shares or other securities of the debtor itself when its valuation may be significantly affected by a debtor's default.
- Cross-personal guarantees: When the guarantor of a transaction is, at the same time, guaranteed by the holder of that transaction.

On the basis of the foregoing, the Group considers the following types of guarantees to be effective:

- Mortgage guarantees on real estate, which are first charge, provided that they are duly constituted and registered in favor of the Group. Real estate includes:
    - Buildings and elements of finished buildings distinguishing between: Homes; offices and commercial premises and multipurpose warehouses; rest of buildings such as non-polyvalent warehouses and hotels.
    - Urban land and land for development.
    - Rest of real estate where, among others, buildings and elements of buildings under construction, such as ongoing promotions and stopped promotions, and the rest of land, such as rustic estates would be classified.
- Pledges on financial instruments such as cash deposits, debt securities of reputable issuers or equity instruments.
- Other types of collateral, including movable property received as collateral and second and successive mortgages on immovable property, provided that the entity demonstrates its effectiveness. In assessing the effectiveness of second and successive mortgages on real estate, the Group will apply particularly restrictive criteria. It will take into account, among others, whether or not the above charges are in favor of the Group itself and the relationship between the risk guaranteed by them and the value of the property.
- Personal guarantees, as well as the incorporation of new holders, that cover the entire amount of the transaction and that imply direct and joint and several liability to the entity of persons or entities whose equity solvency is sufficiently verified to ensure the reimbursement of the operation in the agreed terms.

b. Valuation of guarantees

In this regard, the Group will assess the guarantees associated with financial instruments according to the nature of the guarantees in accordance with the following:

- Mortgage guarantees on properties associated with financial instruments taking into account all available information, using complete individual valuations made by independent valuation experts and under generally accepted valuation regulations. If it is not possible to obtain a complete individual valuation, alternative assessments may be used provided that they have been carried out by duly documented and approved internal valuation models.

- Personal guarantees shall be assessed individually on the basis of updated information from the guarantor.

- All other guarantees will be valued based on current market values if available or based on other management information.

c. Adjustments to the value of guarantees and estimation of future cash flow inflows and outflows

The Group applies a number of adjustments to the value of guarantees which may be positive or negative with the aim of adjusting the benchmarks:

- Adjustments based on the historical sales experience of local units for certain asset typologies. Such adjustments will be made in the same way if the current valuations are not up to date.

- Individual expert adjustments based on additional management information (for example, if there is a binding offer to acquire that asset or the asset is severely impaired).

In addition, the Group for adjusting the value of collateral shall take into account the time value of the money. Basically for this and based on the historical experience of each of the units, it is estimated:

- Period of adjudication.

- Estimated time of sale of the asset

In addition, the Group must take into account those cash inflows and outflows that such guarantee would generate until its sale. To this end, the Group considers in estimating the present value of future cash flows of this guarantee:

- Possible future incomes committed to the borrower which can be accessed after the award of assets.

- Estimated award costs.

- Asset maintenance costs, taxes and community costs.

- Estimated marketing or sales costs.

Finally, in considering that the guarantee will be sold in the future, the Group applies an additional index forward adjustment to adjust the value of the guarantees to future valuation expectations. This adjustment is made on the basis of estimated future price indices or external information.

d. Scope of application of the individualized estimation of the correction for impairment of value

Grupo Santander Consumer Finance determines the perimeter on which it makes an estimation of the correction for deterioration in an individualized way based on a threshold of relevance set by each of the geographies and the stage in which the operations are located. In general, the Group applies the individualized calculation to those relevant exposures classified in Stage 3.

It should be noted that, in any case and regardless of the stage in which their operations are located, for clients who do not receive standardized treatment, a relational risk management model is applied, with treatment and individualized follow-up by the assigned risk analyst. Within this relational management model, in addition to large companies, other segments of smaller companies are also included for which there is information and capacity to perform a more personalized and expert analysis and follow-up. As indicated in the Group's credit model, the individualized and personalized treatment of the client facilitates the continuous updating of information. The risk assumed must be monitored and monitored throughout its life cycle, allowing anticipation and action in case of possible deterioration. In this way, the client's credit quality is analyzed individually, considering the aspects that are specific to him such as his competitive position, financial performance, management, etc. In the wholesale risk management model, every client with a credit risk position has an assigned rating, which carries an associated probability of customer default. Thus, the individualized analysis of the debtor triggers a specific rating for each client, which determines the appropriate parameters for the calculation of the expected loss, so that it is the rating itself that initially modulates the necessary coverages, adjusting the severity of the possible loss to the warranties and other mitigants that the client may have. Additionally, if as a result of this individualized monitoring of the client, the analyst finally considers that his coverage is not sufficient, he has the necessary mechanisms to adjust it under his expert judgment, always under the appropriate government.

h) *Repurchase agreements and reverse repurchase agreements*

Purchases (sales) of financial instruments with the commitment of their non-optional retrocession at a given price (repos) are recorded in the consolidated balance sheet as financing granted (received) according to the nature of the corresponding debtor (creditor), under the headings "Loans and advances" (central banks, credit institutions or customers) and "deposits" (central banks, credit institutions or customers), if they exist.

The difference between purchase and sale prices is recorded as financial interest over the life of the contract using the effective interest rate method.

i) *Assets and liabilities included in disposal groups classified as held for sale*

The chapter Non-current assets and disposal groups classified as held for sale reflects the carrying value of items that are individual or integrated into a set (disposition group) or that are part of a business unit to be disposed of (operations in discontinuance) the sale of which is highly likely to take place, under the conditions under which such assets are currently located, within one year of the date to which the annual accounts refer. Therefore, the recovery of the carrying value of these items (which may be financial and non-financial in nature) is expected to take place through the price obtained from their disposal.

Symmetrically, the chapter "Liabilities included in disposal groups that have been classified as held for sale" includes the credit balances associated with assets or disposition groups and discontinued transactions.

Non-current assets sold, whether individual or integrated, if any, in a disposal group, are generally valued for the smallest amount between their fair value minus selling costs and their carrying value calculated at the date of their assignment to this category. Non-current assets for sale are not amortized while they remain in this category. Without prejudice to the foregoing, financial instruments, employee remuneration assets, deferred tax assets and reinsurance contract assets that may exist and are classified, in their case as "non-current assets and disposal groups of items that have been classified as held for sale", they continue to be valued by the same valuation criteria detailed in this Note, without modification due to the fact that they have been classified as non-current for sale. In the case of awarded real estate assets located in Spain, the Group determines their value taking into account the valuation of the time of adjudication and the period of permanence of each asset in consolidated balance sheet.

The Group has in place a corporate policy that ensures the professional competence and the independence and objectivity of the external appraisal agencies, in accordance with the regulations, which require appraisal agencies to meet neutrality and credibility requirements, so that the use of their estimates does not reduce the reliability of its valuations. This policy establishes that all the appraisal companies and agencies with which the Group works in Spain should be registered in the Official Register of the Bank of Spain and that the appraisals performed by them should follow the methodology established in Ministry of Economy Order ECO/805/2003, of 27 March. The main appraisal companies and agencies with which the Group worked in Spain in 2021 are as follows: AESVAL, Logica de valoraciones, S.A., Alia Tasaciones, S.A., Arco Valoraciones, S.A., Agrupación Técnica del Valor, S.A. (AT Valor), Sociedad de Tasación CATSA, S.A., CBRE Valuation Advisory, S.A., Compañía Hispana de Valoraciones y Tasaciones, S.A., Eurovaloraciones, S.A., Gesvalt Sociedad de Tasación, S.A., Gloval Valuation, S.A., Instituto de Valoraciones S.A., Krata, S.A., Savills Aguirre Newman Valoraciones y Tasaciones S.A.U., Sociedad de Tasación, S.A., Tasalia Sociedad de Tasaciones, S.A., Tasasur Sociedad de Tasaciones, S.A., Tasibérica, S.A., Grupo Tasvalor, S.A., Técnicos en Tasación, S.A., Tinsa, Tasaciones Inmobiliarias, S.A. (Tinsa), UVE Valoraciones, S.A., Valoraciones Mediterráneo, S.A.

Also, the aforementioned policy stipulates that the various subsidiaries abroad must work with appraisal companies that have recent experience in the local area and with the type of asset under appraisal and that meet the independence requirements established in the corporate policy. They should verify, that the appraisal company is not a party related to the Group and that its billings to the Group in the last twelve months do not exceed 15% of the appraisal company's total billings.

Impairment losses on an asset or disposal group resulting from the write-down of its carrying amount to its fair value (less costs to sell) and gains or losses on the sale thereof are recognised under "Gains (Losses) on Non-Current Assets Held for Sale Not Classified as Discontinued Operations" in the consolidated income statement. Any gains on a non-current asset held for sale resulting from increases in fair value (less costs to sell) subsequent to impairment increase its carrying amount and are recognised with a credit to the consolidated income statement up to an amount equal to the impairment losses previously recognised.

Assets and liabilities relating to discontinued operations are presented and measured in accordance with the criteria indicated for disposal groups. Revenue and expenses arising from these assets and liabilities are presented net of the related tax effect under "Profit or loss after tax from discontinued operations" in the consolidated income statement.

j) Tangible assets

This heading of the consolidated balance sheet includes, where appropriate, buildings, land, furniture, vehicles, computer equipment and other facilities owned by consolidated entities or acquired, where appropriate, on a financial lease basis, for own use. Tangible assets are classified, according to their destination, into:

i. Property, plant and equipment for own use

Property, plant and equipment for own use -including any tangible assets received by the consolidated entities in full or partial satisfaction of financial assets representing receivables from third parties which are intended to be held for continuing own use and tangible assets acquired under finance leases- are presented at acquisition cost, less the related accumulated depreciation and any estimated impairment losses (carrying amount higher than recoverable amount).

Amortisation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The period depreciation charge is recognised under "Depreciation and Amortisation cost" in the consolidated income statement and is calculated using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Percentage
Buildings of own use	1.5% - 2%
Furniture	10 %
Vehicles	28.6 %
Computer equipment	25 %
Others	12 %
Right to use leasing	10 %

At each accounting closure, consolidated institutions analyze whether there are indications that the net value of the elements of their tangible assets exceeds their corresponding recoverable amount, in which case, reduce the carrying value of the asset in question to its recoverable amount from the consolidated profit and loss account and adjust future depreciation charges in proportion to its adjusted carrying value and its new remaining useful life; if a reestimation of the same is necessary.

Similarly, where there is evidence that the value of a previously impaired tangible asset has been recovered, consolidated entities record the reversal of impairment loss recorded in prior periods by writing off to the consolidated profit and loss account and adjust accordingly, future charges for amortization. In no case can the reversal of the impairment loss of an asset result in an increase in its carrying value above that which it would have if impairment losses had not been recognized in previous years.

Also, at least at the end of each financial year, the estimated useful life of the elements of fixed equipment for own use is reviewed, in order to detect possible significant changes in them. If they occur, redemption allocations for new useful lives are adjusted by a corresponding correction of the charge to be incurred in the consolidated profit and loss account for future periods.

The costs of maintaining and maintaining tangible assets for own use are charged to the consolidated profit and loss account for the period in which they are incurred.

ii. Investment properties

"Tangible Assets – Real Estate Investments" includes, if any, the net values of the land, buildings and other constructions that are maintained, either to exploit them on a rental basis, either to obtain a surplus value in its sale as a result of the increases that occur in the future in their respective market prices.

The criteria applied for the recognition of the acquisition cost of real estate investments, their depreciation and the estimation of their respective useful lives as well as for the recording of their possible impairment losses coincide with those described in relation to tangible assets for own use.

iii. Assets transferred under operating lease

"Tangible assets – fixed material – leased on operating leases" in the consolidated balance sheets includes the amount of assets, other than land and buildings, that are leased on operating leases.

The criteria applied for the recognition of the acquisition cost of the assets assigned under operating leasing, their amortization and the estimation of their respective useful lives as well as for the recording of their impairment losses are consistent with those described in relation to tangible assets for own use.

The period depreciation charge is recognised under ¨Other operating expense¨ in the consolidated income statement.

k) Leases

The main aspects contained in the regulations (IFRS 16) adopted by the Group are included below: when the Group acts as a lessee, a right-of-use asset is recognized, representing its right to use the leased asset and the related lease liability on the date the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the financial expense. The financial expenditure is charged to profit or loss over the lease term in such a way as to produce a constant recurring interest rate on the remaining balance of the liability for each year. The right-of-use asset is amortized over the useful life of the asset or the lease term, the smallest of the two, on a linear basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset. Assets and liabilities arising from a lease are initially valued on the basis of present value. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including inflation-linked payments), less any lease incentive to be collected.

- Variable lease payments that depend on an index or type.

- The amounts expected to be paid by the lessee as residual value guarantees.

- The exercise price of a purchase option if the lessee has reasonable certainty that he will exercise that option.

- Payments of penalties for termination of the lease, if the term of the lease reflects the exercise by the lessee of that option. Lease payments are deducted using the interest rate implied in the lease. Since in certain situations this interest rate cannot be earned, the discount rate used in such cases is the lessee's incremental borrowing interest rate to date. For these purposes, the entity has calculated this incremental interest rate based on the listed debt instruments issued by the Group; in this regard, the Group has estimated different rate curves depending on the currency and the economic environment in which the contracts are located.

Specifically, to build the incremental interest rate, a methodology has been developed at the corporate level; this methodology starts from the need for each entity to consider its economic and financial situation, for which the following factors must be considered:

- Economic and political situation (country risk).

- Credit risk of the entity.

- Monetary policy.

- Volume and seniority of the issuance of debt instruments of the entity.

The incremental interest rate is defined as the interest rate that a lessee would have to pay to borrow, for a term similar to the duration of the lease and with similar security, the funds required to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Group entities have a large stock and variety of financing instruments issued in different currencies to the euro (pound, dollar, etc.) that provide sufficient information to determine an all-in rate (reference rate plus adjustment for credit spread at different terms and in different currencies). In cases where the lessee has its own financing, it has been used as a starting point for the determination of the incremental interest rate. On the contrary, for those Group entities that do not have their own funding, information from the financing of the consolidated subgroup to which they belong has been used as a starting point to estimate the entity’s curve, analyzing other factors to assess whether it is necessary to make any kind of negative or positive adjustment to the initially estimated credit spread. Right-of-use assets are valued at cost, which includes the following:

- The amount of the initial valuation of the lease liability.

- Any lease payment made on or before the start date minus any lease incentive received.

- Any initial direct cost.

- Restoration costs.

Payments associated with short-term leases and low-value asset leases are recognized on a linear basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than or equal to 12 months (a purchase-option lease does not constitute a short-term lease).

l) Intangible assets

This heading includes identifiable non-monetary assets (likely to be separated from other assets), but without physical appearance, that arise as a result of a legal business or have been developed by consolidated entities and goodwill other than that which may exist in the acquisition of entities valued by the equity method. Only those intangible assets whose cost can be reliably estimated and from which consolidated entities consider it likely to obtain future economic benefits are recognised in the accounts.

Intangible assets other than goodwill are initially recognised at the cost of acquisition or production and are subsequently valued at their cost minus, as appropriate, their corresponding accumulated amortization and/or impairment losses.

i. Goodwill

The positive differences between the cost of the equity shares of consolidated entities and those valued by the equity method with respect to the corresponding theoretical and accounting values acquired, adjusted on the date of first consolidation, are imputed as follows:

– If they are assignable to specific assets of the acquired companies, increasing the value of assets (or reducing that of liabilities) whose fair values were higher (lower) than the net accounting values with which they appear on the balance sheets of the acquired entities.

– Whether they are assignable to specific intangible assets, explicitly recognizing them on the consolidated balance sheet provided that their fair value within 12 months of the date of acquisition can be reliably determined.

– The remaining differences are recorded as a goodwill, which is allocated to one or more cash generating units (these are the smallest identifiable group of assets that, as a result of their continued operation, generate cash flows in favor of the Group, regardless of those from other assets or group of assets). The cash generating units represent the geographical and/or business segments of the Group.

Funds of trade (which are recorded only when acquired for consideration) therefore represent advance payments made by the acquiring entity of future economic benefits derived from the assets of the acquired entity that are not individually and separately identifiable and recognizable.

At least annually or where there are signs of impairment, an estimate is made of whether there has been any impairment which reduces its recoverable value to an amount less than the net cost recorded and, if so, appropriate reorganization, using as a counterpart the heading impairment losses on other assets - Fund of Commerce and other intangible assets in the consolidated profit and loss account.

Impairment losses related to goodwill are not subject to subsequent reversal.

In the event of the sale or abandonment of an activity that forms part of a UGE, the part of the goodwill allocated to that activity would be removed, taking as a reference the relative value of the same on the total of the UGE at the time of sale or abandonment. In the case of applying the currency distribution of the remaining goodwill, it shall be based on the relative values of the activity

ii. Other intangible asset

Intangible assets may be of “indefinite useful life” (when, based on analysis of all relevant factors, it is concluded that there is no foreseeable limit on the period during which they are expected to generate net cash flows in favor of consolidated entities) or "defined useful life" (in the remaining cases).

Intangible assets of “indefinite useful life” are not written off, but at each accounting close, consolidated entities review their respective remaining useful lives to ensure that they remain indefinite or otherwise proceed accordingly.

Intangible assets classified as "defined useful life" are amortized on the basis of the same, applying criteria similar to those adopted for the amortization of tangible assets. The charges charged to the consolidated profit and loss accounts for the amortization of these assets are recorded under the "amortization" chapter.

In both cases, consolidated entities recognize in the accounts any loss that may have occurred in the recorded value of these assets resulting from impairment, using as a counterpart the heading impairment losses on other assets (net) in the consolidated profit and loss account. The criteria for recognition of impairment losses on these assets and, where applicable, recoveries of impairment losses recorded in prior years are similar to those applied for tangible assets (see Note 2.j).

iii. Internally developed computer software

Internally developed software is recognized as intangible assets when, among other requirements (basically, the ability to use or sell), such assets can be identified and their ability to generate economic benefits in the future can be demonstrated.

The expenses incurred during the investigation stage, if any, are directly recognized in the consolidated profit and loss account for the year in which they are incurred, and cannot subsequently be incorporated into the carrying value of the intangible asset.

m) Other assets and other liabilities

The "Other assets" chapter of the consolidated balance sheets includes, where appropriate, the amount of assets not recorded elsewhere, broken down into:

– Inventory: Includes the amount of assets, other than financial instruments, that are held for sale in the ordinary course of business, are in the process of production, construction or development for that purpose, or they will be consumed in the production process or in the provision of services. This chapter includes the assets that have been acquired in order to lease them to third parties, and at the date of the consolidated balance sheets, their corresponding operating lease agreements are pending.

  Inventories are valued at the lesser amount between their cost and their net realizable value, which is the amount expected to be obtained by leasing or selling them in the ordinary course of business, less the estimated costs to complete its production and those necessary to carry out its exploitation.

  The amount of any adjustment for valuation of inventories, such as damage, obsolescence, reduction of the sales price, to its net realizable value, as well as losses for other purposes, is recognized as expenditure for the year in which the impairment or loss occurs. Subsequent recoveries of value are recognized in the consolidated profit and loss account for the period in which they occur.

  The carrying value of the stock is removed from the balance sheet and is recorded as an expense in the period that the income from its sale is recognized.

– Other: Includes, where applicable, the balance of all asset deferred accounts, except those relating to interest and financial commissions, the net amount of the difference between pension plan obligations and the value of plan assets with favorable balance for the Group, when it is due to be presented for the net amount in the consolidated balance sheet, as well as the amount of the remaining assets not included in other items.

The "Other liabilities" chapter of the consolidated balance sheets includes the balance of the liability deferred accounts, other than those relating to interest, and the amount of the remaining liabilities not included in other chapters of the consolidated balance sheet.

n) Provisions and contingent assets and liabilities

Provisions are creditor balances covering obligations present at the consolidated balance sheet date arising from past events from which capital losses may arise for consolidated entities, which are considered likely to occur, specific in terms of their nature but indeterminate in terms of their amount and/or time of cancelation and, to cancel them, consolidated entities expect to dispose of resources that incorporate economic benefits.

Contingent liabilities are potential liabilities arising as a result of past events, the materialization of which is conditional on the occurrence or otherwise of one or more future events independent of the will of consolidated entities. They include the current obligations of consolidated entities, the materialization of which, although possible, has not been considered likely to lead to a decrease in resources that incorporate economic benefits and the amount of which cannot be quantified with sufficient reliability. The Group should not proceed to recognize an accounting obligation of a contingent nature. On the contrary, it should report the obligation in the financial statements, unless the outflow of resources incorporating economic benefits is unlikely.

Contingent assets are potential assets, arising as a result of past events, the existence of which is conditioned and must be confirmed when events that are beyond the control of the Group occur or not. Contingent assets, if they exist, are not recognized in the consolidated balance sheet or the consolidated profit and loss account, but are reported in the consolidated report provided that increased resources incorporating economic benefits from this cause are likely.

The Group's consolidated annual accounts reflect all significant provisions for which the likelihood of the obligation being met is estimated to be greater than otherwise. In accordance with current regulations, contingent liabilities are not recognized in the consolidated annual accounts, but, if they exist, are reported in the consolidated report.

The provisions (quantified taking into account the best available information on the consequences of the event in which they bring their cause and are reestimated at the time of each accounting closure) are used to meet the specific obligations for which they were originally recognized and reversed; total or partial, when such obligations cease to exist or diminish.

Provisions are classified according to the obligations covered in:

- Pensions and other defined post-employment benefit obligations: Includes the amount of provisions made for the coverage of post-employment pay defined benefit, as well as commitments made to pre-retired staff and similar obligations (see Note 21).

- Other long-term employee pay: Includes other commitments to pre-retired staff (see Notes 2.r. and 21).

- Procedural issues and pending tax litigation: Includes the amount of provisions created to cover contingencies of a tax, legal and litigation nature (see Note 21). This item includes provisions for restructuring and environmental actions, if any (see Note 21).

- Commitments and guarantees granted: Includes the amount of provisions made for contingent risk coverage, understood as operations in which the Group guarantees obligations of a third party arising as a result of financial guarantees granted or other contracts, and contingent commitments, understood as irrevocable commitments that may give rise to the recognition of financial assets (see Note 21).

- Remaining provisions: Includes the amount of the remaining provisions made by the Group (see Note 21).

The accounting, or release, if any, of provisions deemed necessary in accordance with the above criteria is recorded under or credited respectively to the "Provisions or reversal of provisions" chapter of the consolidated profit and loss account. The criteria applied for accounting for pensions and other post-employment defined benefit obligations are described in Notes 2-r and 2-s.

o) Court proceedings and/or claims in process

At the close of 2023 and 2022, various legal proceedings and claims were under way against consolidated entities arising from the normal conduct of their activities. Both the legal advisers of the Group and the Bank Administrators, as the Group's parent company, consider that the final economic loss that may arise from these procedures and claims, if any, is adequately provisioned (see Note 21), so it will not have a significant effect on these consolidated annual accounts.

p) Recognition of income and expenses

The most significant criteria used by the Group for the recognition of its income and expenditure are summarized below:

i. ***Interest income and expenses and similar items***

In general, interest income and expenses and concepts assimilated thereto are recognized in the accounts on the basis of their accrual period, by application of the effective interest method. Dividends received from companies other than Group companies, associates or joint ventures are recognized as income at the time the right to receive them arises.

ii. ***Commissions, fees and similar items***

These income and expenses are recognized in the consolidated profit and loss account on different criteria depending on their nature. The most significant are:

– Those linked to financial assets and liabilities measured at fair value through profit and loss are recognized at the time of disbursement.

– Those eligible to be part of the initial acquisition cost of financial instruments, other than those measured at fair value through profit and loss, are charged to the consolidated profit and loss account; applying the effective interest rate method or at the time of its sale, taking into account its nature.

– Those that originate from transactions or services that last over time, differ during the life of such transactions or services.

– Those who respond to a singular act, when the act that originates them occurs.

iii. ***Non-financial income and expenses***

They are recognized on an accrual basis. To determine the amount and time of recognition, a five-step model is followed: identification of the contract with the customer, identification of the obligations separate from the contract, determination of the transaction price, distribution of the transaction price between the identified obligations and finally recording the income as the obligations are satisfied.

iv. ***Deferred collections and payments***

They are recognized accountably for the amount that results from financially updating the anticipated cash flows at market rates.

v. ***Loan arrangement fees***

The financial commissions that originate from the formalization of loans, mainly the opening and study and information commissions, are paid to the consolidated profit and loss account, following a financial criterion, during the life of the loan.

q) Financial guarantees

"Financial guarantees" are the contracts by which an entity is obliged to pay specific amounts on behalf of a third party in the event that it does not do so, regardless of the legal form in which the obligation is implemented: Bond, financial guarantee, insurance or derivative of credit.

At the time of its initial registration, the Group accounts for the financial guarantees provided in the consolidated balance sheet liability at fair value, which, in general, is equivalent to the present value of the commissions and income to be received on such contracts over the course of their duration, taking as a counterpart, in the assets of the consolidated balance sheet, the amount of commissions and similar income collected at the beginning of operations and a credit for the accounts receivable for the present value of the commissions and income outstanding.

Financial guarantees, regardless of their holder, instrumentation or other circumstances, are periodically analyzed in order to determine the credit risk to which they are exposed and, where appropriate, to estimate the needs to provide for them, that is determined by applying criteria similar to those established to quantify impairment losses experienced by debt instruments valued at their amortized cost explained in subparagraph (f) above.

The provisions made by these transactions are accounted for under the heading "Provisions – commitments and guarantees granted" of the consolidated balance sheet liability (see Note 21). The endowment and recovery of such provisions is recorded in return under the section "Provisions or reversal of provisions" of the consolidated profit and loss account.

In the event that it is necessary to make a provision for these financial guarantees, the outstanding accrual commissions, which are recorded in the chapter "Financial liabilities at amortized cost – Other financial liabilities" of the consolidated balance sheet, are reclassified to the corresponding provision.

r) Post-employment benefits

In accordance with the Collective Labour Agreements in force, the financial institutions integrated in the Group and some of the other consolidated entities (national and foreign) are committed to complementing the benefits of the public systems corresponding to certain employees, and their beneficiaries, in cases of retirement, permanent disability or death, as well as other post-employment social care.

Post-employment commitments maintained by the Group with its employees are considered "defined contribution plans" when contributions of a predetermined nature are made to a separate entity, it has no legal or effective obligation to make additional contributions if the separate entity is unable to meet the remuneration to employees related to the services rendered in the current and prior financial years. Post-employment commitments that do not meet the above conditions are considered "defined benefit plans" (see Note 21).

i. ***Defined contribution plans***

The Group records the contributions to the plans accrued for the year under the heading "Administration expenses – staff costs" of the consolidated profit and loss account. In the event that, at the end of the financial year, there is any amount to be contributed to the external plans in which the commitments are materialized, this is recorded at its present value, under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the consolidated balance sheet liability (see Note 21).

ii. ***Defined benefit plans***

The Group records under the heading "Provisions – Pensions and Other Defined Post-Employment Benefits Obligations" of the liabilities in the consolidated balance sheet (or in the asset, in the chapter "Other Assets", depending on the sign of the difference) the present value of the post-employment commitments of defined benefit, net of fair value of "plan assets" (see Note 21).

"Plan assets" are those with which the obligations will be liquidated directly and meet the following conditions:

- They are not the property of the consolidated entities, but of a legally separated third party without the status of a party linked to the Group.

- They are only available to pay or finance post-employment remuneration and cannot be returned to consolidated entities, except where the assets remaining in such a plan are sufficient to meet all obligations of the plan or entity relating to benefits of current or past employees or to reimburse employee benefits already paid by the Group.

If the Group may require insurance companies to pay part or all of the disbursement required to cancel a defined benefit obligation, it is virtually true that the insurer will reimburse any or all of the disbursements required to cancel that obligation, but the insurance policy does not meet the conditions to be an asset of the plan, the Group registers its right to reimbursement in the asset of the consolidated balance sheet, if any, in the chapter "Insurance contracts linked to pensions" which, in the other aspects, it is treated as an asset of the plan.

Post-employment pay is recognized as follows:

- The cost of services is recognized in the consolidated profit and loss account and includes the following components:

  - The cost of services in the current period (understood as the increase in the present value of obligations arising from the services provided in the financial year by employees) is recognized under the heading "Administrative expenses - staff costs" (see Notes 21 and 39).

  - The cost of past services, which originates from changes to existing post-employment pay or the introduction of new benefits and includes the cost of reductions, is recognized, if any, in the chapter "Provisions or reversal of provisions" (see Note 21).

  - Any gain or loss arising from a settlement, the plan is recorded in the "Provisions or Reversals of Provisions" chapter of the consolidated profit and loss account (see Note 21).

  - The net interest on the net liability (asset) of defined benefit commitments (understood as the change during the period in the net defined benefit liability (asset) arising over time), is recognized in the chapter "Interest expense" ("interest income" if income is earned) from the consolidated profit and loss account (see Notes 21 and 31).

The revaluation of the net defined benefit liability (assets) recognized in chapter "Other aggregate income accrued. Elements that will not be reclassified into results. Actuarial gains or (–) losses on defined benefit pension plans" of the net worth of the consolidated balance sheet includes:

- Actuarial gains and losses generated in the period, which are derived from the differences between previous actuarial assumptions and reality and from changes in the actuarial assumptions used.

- The return on plan assets, excluding amounts included in net interest on defined benefit liabilities (assets).

- Any change in the effects of the asset limit, excluding the amounts included in the net interest on the defined benefit liability (asset).

s) *Other long-term remuneration and other obligations*

The other long-term remuneration, understood as the commitments made to pre-retired staff (those who have ceased to serve in the entity, but who, without being legally retired, continue to have economic rights against it until it becomes the legal status of retiree), seniority awards, pre-retirement widowhood and disability commitments that depend on the employee's seniority in the entity and other similar concepts are treated accountably, where applicable, as set out above for post-employment defined benefit schemes; except that actuarial gains and losses are recognized in the chapter 'Provisions or reversal of provisions' of the consolidated profit and loss account (see Note 21).

The commitments made by certain Spanish entities of the Group for the coverage of the death and disability contingencies of their employees, during the period in which they remain active and until their retirement age, are kept in an internal fund with a renewable annual temporary coverage, therefore, no contributions are made to plans.

t) *Termination benefits*

Severance payments are recorded when a formal and detailed plan identifying the fundamental changes to be made is available, and provided that the plan has begun to be implemented or its main characteristics have been publicly announced, or objective facts about its implementation are revealed.

u) *Income tax*

The expense for Spanish Corporate Tax and for taxes of a similar nature applicable to consolidated foreign entities is recognized in the consolidated profit and loss account, except when they are the result of a transaction whose results are recorded directly in equity, in which case, its corresponding tax effect is recorded in equity.

The profit tax expenditure for the year is calculated by the sum of the current tax resulting from the application of the corresponding tax rate on the tax base for the year (after applying the tax deductions that are tax admissible) and the change in deferred tax assets and liabilities recognized in the consolidated profit and loss account.

Deferred tax assets and liabilities include temporary differences that are identified as amounts that are expected to be payable or recoverable by differences between the carrying value of assets and their corresponding tax bases (tax value), as well as the negative tax bases pending compensation and credits for tax deductions not applied fiscally. These amounts are recorded by applying to the temporary difference corresponding to the type of levy at which they are expected to be recovered or settled.

The tax assets chapter includes the amount of all assets of a tax nature, differentiating between: current (amounts to be recovered for taxes in the next twelve months) and deferred (includes the amounts of taxes to be recovered in future years, including those derived from negative tax bases or credits for tax deductions or bonuses to be compensated).

The tax liabilities chapter includes the amount of all liabilities of a tax nature, except tax provisions, which are broken down into: current (includes the amount to be paid for income tax related to the fiscal gain for the year and other taxes in the next twelve months) and deferred (includes the amount of income tax payable in future years).

Deferred tax liabilities in the case of temporary taxable differences associated with investments in dependent entities, associates or joint venture holdings are recognized except when the Group is able to control the time of reversal of the temporary difference and, in addition, it is likely that it will not reverse in the foreseeable future.

Deferred tax assets, identified as temporary differences, are recognized only if it is considered likely that consolidated entities will in the future have sufficient tax gains against which they can be effected and are not originally recognized (except in a business combination) of other assets and liabilities in a transaction that does not affect either tax or accounting income. The remaining deferred tax assets (negative tax bases and deductions to be cleared) are only recognized if it is considered likely that consolidated entities will have sufficient tax gains against which they can be paid in the future.

The differences generated by the different accounting and tax rating of some of the income and expenses directly recorded in the equity to be paid or recovered in the future are accounted for as temporary differences.

Deferred taxes, both assets and liabilities, are reviewed at the time of the accounting closure in order to check whether modifications are necessary in accordance with the results of the analyzes carried out.

v) Residual maturity terms and average interest rates

Note 44 of this consolidated report provides details of the maturities of the items that make up the balances of certain headings of the consolidated balance sheets as at 31 December 2023 and 2022, as well as their average annual interest rates for those years.

w) Statement of consolidated recognised income and expenditure

The income and expenses generated by the Group as a result of its activity during the year are presented, distinguishing between those recorded as results in the consolidated profit and loss account for the year and other income and expenses recognized directly in the consolidated net worth.

The statement presents separately the items by nature, grouping them into those which, in accordance with the implementing accounting rules, they shall not subsequently be reclassified to the consolidated profit and loss account and those subsequently reclassified to that consolidated profit and loss account upon compliance with the requirements of the relevant accounting standards.

Therefore, in this state is presented:

a. The consolidated result of the year.

b. The net amount of income and expenses recognized as 'other cumulative comprehensive income' in equity that will not be reclassified into profit or loss.

c. The net amount of income and expenses recognized in equity that can be reclassified into profit or loss.

d. The income tax accrued on the items referred to in points b and c above, except for adjustments to other comprehensive income originating in shares in associated undertakings or joint ventures valued by the equity method, which are presented in net terms.

e. The total consolidated revenue and expenditure recognized, calculated as the sum of the preceding letters, showing separately the amount attributed to the dominant entity and that corresponding to minority interests.

The statement presents separately items by nature, grouping them into those that, in accordance with the implementing accounting rules, will not be subsequently reclassified to profit or loss and those that will subsequently be reclassified to profit or loss when the requirements laid down in the corresponding accounting rules are met.

x) Total statement of changes in consolidated equity

It presents the movements that have occurred in the consolidated net worth, including those that have their origin in changes in accounting criteria and corrections of errors, if any. This statement therefore shows a reconciliation of the carrying value at the beginning and end of the financial year of all items forming the consolidated net worth, grouping the movements, depending on their nature, into the following items:

a. Adjustments for changes in accounting criteria and correction of errors: includes changes in consolidated equity arising as a result of retroactive reexpression of financial statement balances resulting from changes in accounting criteria or correcting errors, if any.

b. Revenue and expenses recognized in the financial year: It collects, in aggregate form, the total of the items recorded in the statement of consolidated income and expenses recognized above.

c. Other changes in equity: Includes the rest of the changes recorded in the consolidated net worth, such as, where applicable, increases or decreases in the Bank's capital, distribution of results, operations with own equity instruments, payments with equity instruments, transfers between consolidated equity item and any other increase or decrease in consolidated equity.

y) Consolidated cash flow statement

In consolidated cash flow statements, the following expressions are used in the following ways:

- Cash flows: Inflows and outflows of cash and their equivalents; these equivalents mean short-term investments of high liquidity and low risk of alterations in their value.

- Operating activities: Typical activities of credit institutions, as well as other activities that cannot be qualified as investment or financing.

- Investment activities: Acquisition, disposal or other disposition of long-term assets and other non-cash investments and their equivalents.

- Financing activities: Activities that result in changes in the size and composition of consolidated net assets and liabilities that are not part of operating activities.

In addition, dividends received and delivered by the Group are detailed in Notes 4 and 27, including dividends paid to minority interests (non-controlling interests).

In relation to the cash flows corresponding to the interest received and paid, it should be noted that there are no significant differences between those and those recorded in the profit and loss account, reason why they are not broken down separately in the consolidated cash flow statements, except for cash flow liabilities for financing activities which, although not significant, have been broken down in Note 17.

For the purpose of preparing the consolidated cash flow statement, "cash and cash equivalents" have been considered to be those short-term investments with high liquidity and low risk of changes in value. In this way, the Group considers "cash or cash equivalents" the following financial assets and liabilities:

– The net balances held in cash and with central banks, which are recorded under the heading "Cash, cash balances in central banks and other cash deposits" of the consolidated balance sheets as at 31 December 2023 and 2022 attached, according to their nature and currency, the following is indicated:

	Thousands of Euros	
	2023	2022
Type:		
Cash	40.160	82.148
Current accounts	6.974.338	3.900.413
Reciprocal accounts	1.444.566	1.585.659
Other accounts at credit institutions and central banks	2,819,469	1,258,005
	11.278.533	6.826.225
Currency:		
Euro	11.009.456	5.960.743
Foreign currency	269.077	865.482
	11.278.533	6.826.225

z) Own equity instruments

Own equity instruments are those that meet the following conditions:

– They do not include any obligation for the issuing entity that involves: (i) handing over cash or other financial assets to a third party; or (ii) exchanging financial assets or financial liabilities with third parties on terms potentially unfavorable to the entity.

– If they can be, or will be, liquidated with the issuer's own equity instruments: (i) where it is a non-derivative financial instrument, it will not entail an obligation to deliver a variable number of its own equity instruments; or (ii) where it is a derivative, provided that it is settled for a fixed amount of cash, or other financial asset, in exchange for a fixed number of its own equity instruments.

Business carried out with equity instruments, including their issuance and amortization, is registered directly against net worth.

Changes in the value of instruments classified as equity shall not be recorded in the financial statements; consideration received or delivered in exchange for such instruments shall be added or deducted directly from the equity, including coupons associated with preferential interests contingent convertible into ordinary shares.

(aa) Assets covered by insurance or reinsurance contracts and liabilities covered by insurance or reinsurance contracts

Group has developed the accounting policy establishing the criteria for recording insurance contracts, in accordance with IFRS 17. This standard defines insurance contracts as contracts under which a party accepts a significant insurance risk from another party by agreeing to compensate the policyholder if a specific uncertain future event adversely affects the policyholder.

IFRS 17 requires a level of aggregation of contracts that the Group identifies in portfolios of contracts with similar risks and which are jointly managed. The Group then divides each portfolio into a minimum of three groups: (i) contracts that are onerous on initial recognition; (ii) contracts that, on initial recognition, have no significant chance of becoming onerous subsequently; and (iii) any remaining contracts.

For contracts that are considered to be non-onerous, a profit margin is recognized in the profit and loss account (called 'Contractual Service Margin' or 'MSC') over the period in which the entity performs the service. However, if at the time of initial recognition, or during the period in which the entity performs the service, the contract is onerous, the entity acknowledges the loss in the income statement.

The contract limits define the period up to which compliance cash flows must be considered in order to measure an insurance contract. Compliance cash flows include an impartial and probability-weighted estimate of future cash flows, a discount adjustment to the present value to reflect the time value of money from monetary and financial risks, and a risk adjustment for non-financial risks. The identification of the contractual limit under IFRS 17 is critical not only for the measurement of the compliance cash flows of a group of contracts, but also for determining the applicable measurement model, in case the contractual limits are identified in one year or more.

Cash flows are within the contractual limit of an insurance contract if they arise from substantial rights and obligations that exist during the reporting period, in which the institution may compel the holder of the insurance policy to pay premiums or in which the entity has a substantive obligation to provide services to the insured.

The Group has conducted a separate analysis of the limits of insurance and reinsurance contracts under IFRS 17, applying the General Building Block Approach to all contracts, except those eligible to be valued by the simplified model (Premium Allocation Approach), or the variable commission approach ('ECV' or variable Fee Approach).

The general model measures a group of contracts as the sum of Compliance Cash Flows and Contractual Service Margin. The MSC represents the unrecorded benefits that the entity will recognize as if it provides services under the insurance contract.

Insurance contracts with direct participation apply the CVD as a modified version of the General Model. This should reduce the volatility of results due to the asymmetry between the accounting treatment of gains and losses of underlying elements attributable to insured persons and the accounting treatment of liabilities against insured persons.

Another issue considered for measuring the present value of future cash flows from a group of insurance contracts is the discount rate applied to reflect the time value of money and the financial risks associated with those cash flows. The Group has established a generally chosen methodology and ensures that the calculation components have a homogeneous basis, previously approved by the Group, establishing the base curves provided by the Group and allowing adjustments to these curves based on the expert criteria of each local management.

In addition, a risk adjustment for non-financial risk is necessary to measure compliance cash flows. Risk adjustment for non-financial risk is the compensation necessary to withstand uncertainty about the amount and timing of cash flows arising from non-financial risks. If a change in assumptions occurs, it could affect the income statement or other Global Income, depending on its nature. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks, such as interruption risk and expense risk.

Grupo Santander Consumer Finance has concluded the analysis on the effects of this new standard without having identified material impacts on its consolidated financial statements.

3. Santander Consumer Finance Group

a) *Santander Consumer Finance, S.A.*

The Bank is the parent company of Grupo Santander Consumer Finance (see Note 1). The Bank's summary balance sheet, summary profit and loss account, summary statement of changes in equity and summary statement of cash flows for the years 2023 and 2022 are presented below for information purposes:

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

ASSETS	Exercise 2023	Exercise 2022	LIABILITIES AND EQUITY	Exercise 2023	Exercise 2022
Cash and balances at central banks	1,804,454	489,246	LIABILITIES		
Financial assets held for trading	91,585	125,187	Financial liabilities held for trading	99,626	95,224
Non-trading financial assets mandatorily at fair value through profit or loss	658	387	Financial liabilities at amortised cost	46,429,704	36,758,895
Financial assets through other comprehensive income	2,052,062	2,462,252	Derivatives – hedge accounting	206,186	60,577
Financial assets at amortised cost	41,185,022	31,833,829	Provisions	90,741	89,521
Derivatives – hedge accounting	110,354	454,166	Tax liabilities	383,631	368,899
Changes of the fair value of hedged items in an interest rate risk hedging portfolio	(103,053)	(171,757)	Other liabilities	223,864	153,008
Investments in subsidiaries, joint ventures and associates	11,293,800	11,292,945			
Tangible assets	24,569	26,391	**TOTAL LIABILITIES**	47,433,752	37,526,124
Intangible assets	146,996	118,289			
Tax assets	439,866	365,721	Equity	9,745,235	9,534,480
Other assets	87,749	53,964	Other comprehensive income	(42,430)	(7,338)
Assets included in disposal groups classified as held for sale	2,495	2,646			
			TOTAL EQUITY	9,702,805	9,527,142
TOTAL ASSETS	57,136,557	47,053,266	**TOTAL LIABILITIES AND EQUITY**	57,136,557	47,053,266
Memorandum items: off balance sheet items					
Loans commitment granted	752,699	630,107			
Financial guarantees granted	4,088,678	4,063,980			

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED INCOME STATEMENTS AS AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Income / (expenses)	
	Exercise 2023	Exercise 2022
Interest income	1,650,772	693,257
Interest expenses	(1,149,379)	(242,460)
NET INTEREST INCOME	501,393	450,797
Dividend income	889,086	899,631
Income from companies accounted for using the equity method	—	—
Commissions income	88,169	92,654
Commissions expense	(65,846)	(69.900)
Gains or losses on financial instruments not at fair value through profit or loss, net	47,128	5
Gains or losses on financial instruments held for trading, net	(1,724)	(208)
Gains or losses from hedge accounting, net	5,170	(4,735)
Currency translation differences, net	(3,794)	(17,742)
Gains or losses on derecognition of investments in subsidiaries, joint ventures or associates, net	30,522	—
Other operating income	10,135	9,583
Other operating expenses	(41,253)	(26,856)
OPERATING INCOME	1,458,986	1,333,229
Administration and general expenses	(332,941)	(293,014)
Depreciation and amortisation cost	(31,949)	(30,737)
Provisions or reversal from provisions, net	(31,925)	(13,690)
Impairment charges and reversals from financial assets not at fair value through profit or loss	(108,835)	(100,102)
NET OPERATING PROFIT	953,336	895,686
Impairment charges or reversals on investments in joint ventures and associates	—	—
Impairment charges or reversals on non-financial assets	(2,541)	(8,352)
Gains or losses on assets and liabilities included in disposal groups classified as held for sale from discontinued operations	(4,773)	(2,684)
PROFIT OR LOSS BEFORE TAX IN RESPECT OF CONTINUING OPERATIONS	946,022	884,650
Taxation	(28.799)	(32,857)
Gains or losses after tax in respect of continuing operations	917,223	851,793
PROFIT/(LOSS) AFTER TAX	917,223	851,793

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF RECOGNISED INCOME AND EXPENSE AS

31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Exercise 2023	Exercise 2022
PROFIT OR LOSS AFTER TAX	917,223	851,793
OTHER COMPREHENSIVE INCOME	(35,092)	(17,291)
Items not reclassified to profit or loss	(630)	1,333
Actuarial gains or losses on defined benefit pension plan	(916)	4,228
Assets included in disposal groups classified as held for sale	—	—
Changes in the fair value of equity instruments at fair value through other comprehensive income	(27)	(593)
Income tax in respect of items not reclassified to profit or loss	313	(2,302)
Items that may be reclassified to profit or loss	(34,462)	(18,624)
Currency translation differences	—	—
Hedging of net investments in joint ventures and associates (effective portion)	—	—
Cash flow hedges (effective portion)	(46,416)	47,023
Financial assets available-for-sale	(2,816)	(73,627)
Assets included in disposal groups classified as held for sale	—	—
Share of other recognised income	—	—
Income tax in respect of items that may be reclassified to profit or loss	14,770	7,980
TOTAL RECOGNISED INCOME AND EXPENSE	882,131	834,502

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF TOTAL CHANGES IN EQUITY AS AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Capital	Share premium	Equity instruments issued other	Other equity instruments	Retained earnings	Profit/(loss) after tax	Dividends paid	Other comprehensive income	TOTAL
Final balance as at 31 December 2022	5,638,639	1,139,990	1,200,000	—	1,356,261	851,793	(652,203)	(7,338)	9,527,142
Fusion effect	—	—	—	—	—	—	—	—	—
Balance as at 01 January 2023	5,638,639	1,139,990	1,200,000	—	1,356,261	851,793	(652,203)	(7,338)	9,527,142
Effects of error correction	—	—	—	—	—	—	—	—	—
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—
Adjusted opening balance	5,638,639	1,139,990	1,200,000	—	1,356,261	851,793	(652,203)	(7,338)	9,527,142
Total overall income for the year	—	—	—	—	—	917,223	—	(35,092)	882,131
Other changes in equity	—	—	—	—	(406,886)	(851,793)	552,211	—	(706,468)
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—
Issuance of preferred shares	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—
Dividends (or remuneration to partners)	—	—	—	—	(507,477)	—	(99,992)	—	(607,469)
Transferred between components of equity	—	—	—	—	199,590	(851,793)	652,203	—	—
Other increases or (-) decreases in equity	—	—	—	—	(98,999)	—	—	—	(98,999)
Final balance as at 31 December 2023	5,638,639	1,139,990	1,200,000	—	949,375	917,223	(99,992)	(42,430)	9,702,805

	Capital	Share premium	Equity instruments issued other	Other equity instruments	Retained earnings	Profit/(loss) after tax	Dividends paid	Other comprehensive income	TOTAL
Final balance as at 31 December 2021	5,638,639	1,139,990	1,200,000	—	818,484	600,855	(490,562)	9,953	8,917,359
Fusion effect	—	—	—	—	500,359	—	—	—	500,359
Balance as at 01 January 2022	5,638,639	1,139,990	1,200,000	—	1,318,843	600,855	(490,562)	9,953	9,417,718
Effects of error correction	—	—	—	—	—	—	—	—	—
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—
Adjusted opening balance	5,638,639	1,139,990	1,200,000	—	1,318,843	600,855	(490,562)	9,953	9,417,718
Total overall income for the year	—	—	—	—	—	851,793	—	(17,291)	834,502
Other changes in equity	—	—	—	—	37,418	(600,855)	(161,641)	—	(725,078)
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—
Issuance of preferred shares	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—
Dividends (or remuneration to partners)	—	—	—	—	—	—	(652,203)	—	(652,203)
Transferred between components of equity	—	—	—	—	110,293	(600,855)	490,562	—	—
Other increases or (-) decreases in equity	—	—	—	—	(72,875)	—	—	—	(72,875)
Final balance as at 31 December 2022	5,638,639	1,139,990	1,200,000	—	1,356,261	851,793	(652,203)	(7,338)	9,527,142

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CASH FLOWS AS AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	2023	2022
A. CASH FLOWS FROM OPERATING ACTIVITIES:	1,885,361	(3,336,265)
Profit or loss after tax	917,223	851,793
Adjustments made to obtain the cash flows from operating activities	532,232	(375,033)
Net change in operating assets	(9,010,161)	(5,224,163)
Net change in operating liabilities	9,446,067	1,411,138
B. CASH FLOWS FROM INVESTING ACTIVITIES:	(168,581)	(85,960)
Payments	(249,166)	(87,062)
Proceeds	80,585	1,102
C. CASH FLOWS FROM FINANCING ACTIVITIES	(401,572)	(125,078)
Payments	(701,572)	(725,078)
Proceeds	300,000	600,000
E. NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS (A+B+C+D):	1,315,208	(3,547,303)
F. Cash and equivalents at beginning of period	489,246	4,036,549
G. Cash and equivalents at end of period	1,804,454	489,246

b) Acquisitions and sales

The most significant acquisitions, constitutions and sales that have occurred, during the financial years 2023 and 2022, of shares in the capital of entities of the Group, as well as other relevant corporate transactions that have modified the perimeter of consolidation of the Group during these periods, have been the following:

b.1) **Financial year** ***2023***

Carmine D-Services, Unipessoal, Lda. (Originally PDC Digital, Lda.)

On January 4, 2023, Santander Consumer Services, S.A, a Portuguese subsidiary of Santander Consumer Finance, S.A, acquired 100% of the shares of PDC Digital, Lda., a Portuguese company. The share capital of PDC Digital, Lda. it was composed of 3 shares, 1 of them with a nominal value of 3,400 euros and 2 of them with a nominal value of 3,300 euros each. The amount corresponding to the acquisition amounts to 2.2 million euros, of which 2.0 million euros had been paid at the closing of the transaction, deferring the payment of the remaining amount for 4 years payable every January 1 of each year with the last payment being January 1, 2027. The acquisition has been carried out as follows:

- Acquisition of 1 share to José Ferreira Lopes and Maria Alice Ferreira Lopes for a total amount of 0.7 million euros, having disbursed 0.6 million euros on the day of the transaction, remaining the rest postponed as mentioned.
- Acquisition of 1 share to Maria Alice da Costa Faria for a total amount of 0.7 million euros, having disbursed 0.6 million euros on the day of the transaction, the rest remaining postponed as mentioned.
- Acquisition of 1 share to Miguel José Lopes and Patrice Leite Dias de Oliveira Rosas Lopes for a total amount of 0.7 million euros, having disbursed 0.6 million euros on the day of the transaction, remaining the rest postponed as mentioned.

Thus, the details of the acquired business were as follows:

Business acquired	Main activity	Acquisition date	Ownership interest (voting rights) acquired	Purchase consideration (million euro)
PCD Digital, Lda.	Provision of internet, computer and multimedia services	04/01/2023	100%	2.2 (*)

(*) As already indicated above, the disbursement of the price has been made and will be made at different times of time.

The details of the net assets of the acquired business were as follows:

	Value in Books (Millions of euros)
Cash	2.4
Customers	53.6
Non-current assets	21.1
Current assets	56.5
Financial liabilities at amortized cost	(165.7)
Non-current and current liabilities	(418.0)
Net assets	**(450.1)**
Purchase consideration (*)	2,230.9
Goodwill	2,681.0

(*) As already indicated above, the disbursement of the price has been made and will be made at different times of time.

The fair value of the acquired receivables amounts to 53.6 thousand euros and does not differ from their gross contractual amounts. The parent company´s directors consider that there were no indications that they would not be fully collected at the acquisition date.

Net cash flow on acquisition:

	Millions of Euros
Cash paid	2,230.9
Less: Cash and cash equivalents	(2.4)
Total	**2,228.5**

(*) As already indicated above, the disbursement of the price has been made and will be made at different times of time.

The amount contributed by this business to the Group's net attributable profit from the date of acquisition is intangible. Similarly, the result that this business would have brought to the group if the transaction had been made on January 1, 2023 is also immaterial.

On September 21, 2023, the company name was changed to Carmine D-Services, Unipessoal, Lda.

In 2023, the partners provided a participative loan to the company of 550,000 euros without a fixed repayment deadline.

Santander Consumer Mobility AS and Santander Consumer Mobility AB

On August 14, 2023, Santander Consumer Finance, S.A has acquired 100% of the shares of NFH 230521 AS from Nytt Foretak AS for NOK 47,500 (equivalent to 4,000 euros), in Norway, in order to develop the operating leasing activity in Nordics.

The share capital of this company consisted of 3,000 shares of 10 Norwegian kroner of nominal value each, forming a capital of 30,000 Norwegian kroner (equivalent to 2,600 euros).

On September 9, 2023, the company name changed to Santander Consumer Mobility AS.

On October 6, 2023, Santander Consumer Finance, S.A transferred 10 million euros to the aforementioned company, which was finally contributed as a capital increase on December 19, 2023. This EUR 10 million is equivalent to NOK 113,655,000. The capital increase did not involve the issuance of new shares, as it has been recorded as follows:

- Capital increase by NOK 60,000 by increasing the nominal value of the shares from NOK 10 to NOK 30 each.

- Share premium of NOK 37,865 per share forming a total of NOK 113,595,000.

At the date of issuance of these consolidated annual accounts, the company has not started its activity.

Likewise, and on October 6, 2023, Santander Consumer Mobility AS has acquired 100% of the shares of Goldcup 33672 AB in Sweden from Between Bolagsrätt Sundsvall AB for 25,000 Swedish kroner (equivalent to 2,000 euros), for the purpose of developing the operating leasing activity in Sweden.

The share capital of this company consists of 25,000 shares of 1 Swedish krona of nominal value each, forming a capital of 25,000 Swedish krona (equivalent to 2,000 euros).

On October 20, 2023, the company name changed to Santander Consumer Mobility AB.

At the date of issuance of these consolidated annual accounts, the company has not started its activity.

Reorganization of the global agreement with Stellantis

On March 31, 2022, Santander Consumer Finance, S.A reached an agreement to strengthen its global cooperation with Stellantis, N.V. and Stellantis Financial Services, S.A. (Formerly PSA Finance, S.A Banque.) which was originally signed in 2014. This agreement was revised mainly due to changes in Stellantis' corporate structure since the initial firm.

After obtaining the corresponding regulatory and competition authorizations, on April 3, 2023, the signed agreements were implemented. Below is a summary of the different transactions that this agreement has involved for Santander Consumer Finance Group:

Acquisition of new business origination rights for financing products (loans, financial leasing and operational leasing to end customers) of all Stellantis brands: Abarth, Alfa Romeo, Chrysler, Citroën, Dodge, DS, Fiat, Fiat Professional, Jeep, Lancia, Maserati, Opel, Peugeot, Ram and Vauxhall in seven European countries: Belgium, France, Italy, Holland, Poland, Portugal and Spain

This acquisition has been based on legal agreements signed by each joint venture with the respective Opel and Fiat Chrysler Automobiles (FCA) companies in each country. The acquisition has been accompanied by the transfer of certain employees in contracts signed with Opel companies and, in the case of FCA companies, only in Italy. In addition, the transaction has involved the transfer of contracts, assets and associated liabilities, mainly, to employees at the time of the transaction.

The acquisition of the rights of origination has involved the recognition of an intangible asset in the consolidated balance sheet as of December 31, 2023 of 140.7 million euros, which are depreciated in the duration of the agreement (8.5 years) counted since April 3, 2023. The amount provided as amortization as at 31 December 2023 amounts to 12.3 million euros.

The set of assets and liabilities that have been transferred to the joint ventures of the Santander Consumer Finance Group represented a payment by the corresponding companies of Opel and FCA to the joint ventures of 0.3 million euros and 6 million euros, respectively, on the closing day of the transaction, April 3, 2023, having been calculated on estimated amounts and subject to review. At the date of issuance of these consolidated annual accounts, all transfers of assets and liabilities have been closed which have resulted in an additional payment by the joint ventures to the corresponding Opel companies of 0.1 million euros and an additional payment by FCA to the Italian joint venture of 0.2 million euros.

All the above amounts incorporate transactions made by Stellantis Consumer Finance Services Polska Sp.z.o.o., which is an associated entity of the Santander Consumer Finance Group.

Sale of the origination rights of the Operational Lease B2B (Vision Client) business carried out by Belgium, France, Italy, the Netherlands, Poland and Spain to Leasys companies

As part of the aforementioned reorganization, joint ventures from Belgium, France, Italy, the Netherlands, Poland and Spain sold, *on* April 3, 2023, the origination rights of the operational lease business (Vision Client) B2B to the corresponding companies of Leasys in each country for a total amount of 64.5 million euros, which have been recorded as profit on sale in the consolidated income statement as of December 31, 2023.

The sale of *these* origination rights has been accompanied, in the case of Spain and France, by the transfer of employees and their corresponding assets and liabilities associated with the aforementioned employees. This transfer involved the payment by the joint ventures of the Santander Consumer Finance Group of a total amount of 3.8 million euros to the corresponding companies of Leasys on the day of the closing of the transaction, on April 3, 2023. Since the aforementioned payment based on estimated amounts was made, after obtaining the final amounts, the company of Leasys paid the French joint venture an amount of EUR 0.4 million.

All the above amounts incorporate transactions made by Stellantis Consumer Finance Services Polska Sp.z.o.o., which is *an* associated entity of the Santander Consumer Finance Group.

Acquisition of Opel portfolios by joint ventures in Italy and Spain

In addition and as part of the aforementioned reorganization, the joint ventures of Italy and Spain have proceeded to acquire Opel's portfolios in the aforementioned countries as of July 3, 2023 and May 31, 2023, respectively. *Likewise, this purchase of portfolios has been accompanied by the acquisition of assets and liabilities associated with the portfolio at the aforementioned dates. In the case of the purchase of Italy, part of the financing of the aforementioned portfolio has also been acquired.*

The detail of the portfolio acquired by Spain and registered at the initial time (date of acquisition) and after the final adjustment after the determination of the final amounts, is as follows:

	Millions of Euros	
Spain	**Start**	**Final**
Portfolio	259.6	258.8
Net of assets and liabilities	(0.7)	(0.6)
Funding	-	-
Total amount paid	258.9	258.2

The amount paid on the day of the transaction was made on the basis of estimated amounts. After obtaining the final amounts, the Opel company has paid the Spanish joint venture an amount of 0.7 million euros.

The detail of the portfolio acquired by Italy and recorded at the initial time (date of acquisition) and after the final adjustment after the determination of the final amounts, is as follows:

Italy	Millions of Euros	
	Start	Final
Portfolio	879.9	896.3
Net of assets and liabilities	(4.5)	(4.3)
Funding	(770.3)	(770.4)
Total amount paid	105.1	121.6

The amount paid on the day of the transaction was made on the basis of estimated amounts. After obtaining the final amounts, the Italian joint venture has paid Opel an amount of 16.5 million euros.

Sale of the shares of the joint ventures of Germany and the United Kingdom to Opel companies

Finally and as part of the aforementioned restructuring, on April 3, 2023, Stellantis Financial Services España, E.F.C., S.A. (formerly PSA Financial Services Spain, E.F.C., S.A.) has sold its stake in 100% of the capital of PSA Finance UK Limited to an Opel company. Stellantis Financial Services, S.A. (Formerly Banque PSA Finance S.A.) and Santander Consumer Bank Aktiengesellschaft have sold their shares (each 50%) in the share capital of PSA Bank Deutschland GmbH to another Opel company.

The share capital of PSA Finance UK Limited consisted of 437,280 shares of 1 pound of nominal value each. The estimated selling price at the closing date of the transaction amounted to 368,614,513.41 pounds sterling equivalent to 419,261,275.48 euros.

The share capital of PSA Bank Deutschland GmbH consisted of 1,464,448 shares with a nominal value of 1 euro each. The estimated selling price at the closing date of the transaction has amounted to 613,896,021.62 euros.

The gain recorded for both transactions in the consolidated profit and loss account as at 31 December 2023 is not significant.

Both sales prices are subject to review based on the final data corresponding to the transaction date. At the date of issuance of these consolidated annual accounts, the review process has not been closed.

Santander Consumer Finance, Inc.

On March 17, 2023, Santander Consumer Finance, S.A. has acquired from Banco Santander, S.A., 100% of the shares of Santander Consumer Finance, Inc., a Canadian company. Santander Consumer Finance, Inc. It also shares 100% of the share capital of Santander Consumer, Inc. The share capital of Santander Consumer Finance, Inc. it consists of 30,451,553 actions.

The acquisition has been made for 215,747,722 Canadian dollars equivalent to 148,758,054.32 euros.

Thus, the details of the acquired business were as follows:

Business acquired	Main activity	Acquisition date	Ownership interest (voting rights) acquired	Purchase consideration (million euro)
Grupo Santander Consumer Finance, Inc.	Consumer finance	17/03/2023 (*)	100%	148.7

(*) The acquisition was made retroactively on March 1, 2023, so the company's results as of March 1, 2023 belong entirely to Santander Consumer Finance.

The details of the net assets of the acquired business were as follows:

	Value in Books (Millions of euros)
Cash	4.8
Customers	639.0
Non-current assets	1.6
Current assets	47.9
Financial liabilities at amortized cost	(512.5)
Non-current and current liabilities	(43.0)
Net assets	**137.8**
Purchase consideration	148.7
Goodwill	10.9

The fair value of the acquired receivables amounts to 639 million and does not differ from their gross contractual amounts. The Managers of the parent company do not consider that at the date of acquisition there were indications that they would not be collected in full.

Net cash flow on acquisition:

	Millions of Euros
Cash paid	148.7
Less: Cash and cash equivalents	(4.8)
Total	**143.9**

The amount contributed by this business to the Group's net attributable profit from the date of acquisition is intangible. Similarly, the result that this business would have brought to the group if the transaction had been made on January 1, 2023 is also immaterial.

MCE Bank Group

In November 2022, Santander Consumer Bank AG reached an agreement to acquire 100% of the shares of MCE Bank, GmbH effective March 31, 2023. The company's share capital consists of 40,903,360 shares with a total value of 40,903,360 euros, with a nominal value of 1 euros each.

MCE Bank GmbH was the captive financial institution of Mitsubishi in Germany with a bank license and dedicated to the provision of financial services mainly related to the automotive sector and the activity of deposit-raising, being its shareholders several companies of the Mitsubishi Group. MCE Bank GmbH in turn has the following subsidiaries with a direct or indirect participation rate of 100%:

- MCE Verwaltung GmbH dedicated to the management of Real Estate for the Group in Germany.
- Midata Service GmbH is dedicated to the provision of IT services especially to dealers.
- AMS Auto Mark am Schieferstein GmbH dedicated to remarketing activities.
- TVG-Trappgroup Versicherungsvermittlungs GmbH is dedicated to the insurance intermediation of retail customers and dealers.

After obtaining the corresponding authorizations from the regulatory authorities, on 31 May 2023 the acquisition took place for a total amount of 94,768,237 euros.

The acquisition has been made as follows, with retroactive accounting effect 1 April 2023:

- Acquisition of MC-V Beteiligung Verwaltungsgesellschaft mbH of its total equity stake (45%) consisting of 18,406,512 shares with a nominal value of 18,406,512 euros for an amount of 40,243,434 euros.

- Acquisition of MC Automobile (Europe) N.V. of its total share capital (45%) consisting of 18,406,512 shares with a nominal value of 18,406,512 euros for an amount of 40,243,434 euros.

- Acquisition from Mitsubishi International GmbH of its total share capital (10%) consisting of 4,090,336 shares with a nominal value of 4,090,336 euros for an amount of 8,942,985 euros.

In this way the details of the acquired business are as follows:

Business acquired	Main activity	Acquisition date	Ownership interest (voting rights) acquired	Purchase consideration (million euro)
MCE Bank Group	Financial services associated with the automotive sector and the collection of deposits	31/05/2023 (*)	100%	95.4 (**)

(*) The acquisition was made retroactively on April 1, 2023, so the company's results belong entirely to Santander Consumer Finance since the aforementioned date.
(**) Includes cash disbursement of the purchase price of the shares plus other transaction costs.

The detail of the net assets of the acquired business is as follows:

	Value in Books (Millions of euros)
Cash	61.6
Customers	881.4
Non-current assets	56.3
Current assets	22.2
Financial liabilities at amortized cost	(856.5)
Non-current and current liabilities	(31.1)
Net assets	**133.9**
Purchase consideration (*)	95.4
Difference in purchase	38.5

(*) Includes cash disbursement of the purchase price of the shares plus other transaction costs.

At the date of issuance of these consolidated annual accounts, the accounting for the business combination has been closed. The adjustments identified in the study conducted by the management of the Group on the allocation of the price to the net assets acquired have not been considered significant. Accordingly, the Group management has considered recording a purchase difference as a negative consolidation difference in the consolidated income statement without considering such intangible fair value adjustments.

The Managers of the parent company do not consider that at the date of acquisition there were indications that the acquired receivables would not be collected in full.

The amount contributed by this business to the Group's net attributable profit from the date of acquisition is intangible. Similarly, the result that this business would have brought to the group if the transaction had been made on January 1, 2023 is also immaterial.

Likewise, in November 2022, Santander Consumer Bank AG entered into an agreement with Emil Frey Automobil Holding Deutschland GmbH to sell 9.99% of its stake in MCE Bank GmbH. On August 11, 2023, the aforementioned sale was made effective for a price amounting to 14.5 million euros.

Stellantis Financial Services Belux, S.A. (Formerly PSA Finance Belux, S.A) and Stellantis Financial Services Nederland, B.V. (Formerly PSA Financial Services Nederland, B.V.)

On May 30, 2023, a corporate reorganization was carried out in the Group by which Banque Stellantis France, S.A. (Former PSA Banque France, S.A. And owned 50% by Santander Consumer Banque, S.A. And 50% by Stellantis Financial Services, S.A.) has acquired 100% of the stake of Stellantis Financial Services Belux, S.A. and Stellantis Financial Services Nederland, B.V. prior to the acquisition, both were already controlled entities, 100% owned by Stellantis Financial Services España, E.F.C., S.A. (formerly PSA Financial Services Spain, E.F.C., S.A.), which in turn is 50% owned by Santander Consumer Finance S.A. and 50% owned by Stellantis Financial Services, S.A, both transactions were carried out at consolidated accounting values after obtaining the corresponding authorizations from the European and local authorities.

Vizolution

As of December 31, 2022, Santander Consumer Finance, S.A held a 10.99% share (3,239,956 shares) in the share capital of Vizolution Limited, a British company whose corporate purpose was to create software products that would facilitate the closure of online financing operations. This share was acquired at the end of 2018 for a value of £6,500 thousand.

During the first half of 2023, Lightico, Ltd. (Based in Israel) submitted an offer to the shareholders of Vizolution for the acquisition of all shares of the company Vizolution in exchange for shares of the company Lightico, Ltd.

As a result of the agreements reached on June 12, 2023, during the month of July 2023, Santander Consumer Finance, S.A has assumed 2.28% (29,070 shares) of the company Lightico worth 2,380 thousand US dollars, in exchange for participation in Vizolution Limited. At the time of the transaction, Santander Consumer Finance, S.A adjusted the value of the stake in Vizolution Limited, having recorded a loss of a non-significant amount for the purposes of the 2023 consolidated annual accounts.

Santander Consumer Leasing Belgium Branch

On July 20, 2023, Santander Consumer Leasing, B.V *(formerly Riemersma Leasing, B.V) has established a branch in* Belgium, called Santander Consumer Leasing Belgium Branch for the development of the operating leasing activity in Belgium. The branch began its activity in July 2023.

Ethias Lease N.V.

On June 19, 2023, Santander Consumer Leasing B.V. *(formerly Riemersma Leasing, B.V) it signed a Memorandun of* Understanding with Ethias Lease Corporation N.V. a company dedicated to the insurance business in Belgium to set up a Joint Venture in Belgium to develop the business of operational leasing of electric cars in Belgium.

After obtaining the corresponding regulatory authorizations, on September 13, 2023, Santander Consumer Leasing B.V. (through its branch in Belgium constituted on July 20, 2023) and Ethias Lease Corporation N.V. constituted Ethias Lease, a company that was incorporated into the company Ethias Lease. N.V. By issuing 4,500,000 fully subscribed and disbursed shares that make up a capital of 4,500,000 euros:

- Santander Consumer Leasing B.V., through its Belgian branch, subscribed 2,250,000 shares disbursing 2,250,000 euros holding a share of 50%.
- Ethias Lease Corporation N.V. subscribed 2,250,000 shares disbursing 2,250,000 euros holding a share of 50%.

The company began its activity in the same month of September 2023.

Drive, S.r.l. and Santander Consumer Renting, S.r.l.

On May 31, 2023, Santander Consumer Bank, S.p.A reached an agreement with the companies Agba, S.p.A, and AutoTorino S.p.A. to enter these companies into the share capital of Drive, s.r.l. To do this, it was agreed to carry out a capital increase of 7 million euros that was subscribed and disbursed as follows, without issuing new shares:

- Santander Consumer Bank, S.p.A contributed 5 million, of which 4 million euros are contributed through the conversion of the capital increase made in 2022 mentioned above into share capital and disbursed 1 million euros.
- Agba, S.p.A disbursed 1 million euros.
- AutoTorino S.p.A disbursed 1 million euros.

After the capital increase, the share capital of Drive, S.r.l. is 8 million euros, holding Santander Consumer Bank, S.p.A 75% of the share capital and Agba, S.p.A and AutoTorino S.p.a, each hold 12.5% of the share capital.

Also, in December 2023, in Santander Consumer Renting, S.r.l, a capital increase was carried out directly under the heading RESERVES and without issuing any shares amounting to 4.5 million euros.

Drive Revel, S.L

In June 2022, Andaluza de Inversiones, S.A. entered to participate in the share capital of Drive Revel, S.L., through a capital increase of 386 shares made by the aforementioned company, through the acquisition of 192 shares of 1 euro of nominal value each and an assumption premium of 5,196.51 euros per share, disbursing a total of 997,921 euros and going to hold 2.98% of the aforementioned company.

The main corporate purpose of this company is the leasing and subleasing of cars and light motor vehicles.

In August 2023, Andaluza de Inversiones, S.A. signed the second capital increase already agreed in 2022 by Drive Revel, S.L. 770 shares of 1 euro of nominal value each and an assumption premium of 5,196.51 euros per share, having paid a total of 4,002,079 euros, held after this extension a total of 962 shares representing 10.76% of the share capital of the aforementioned company.

Athlon Sweden AB

On 20 December 2023, the Group, through the norwegian subsidiary Santander Consumer Mobility AS, has signed an agreement to acquire 100% of the shares representing the share capital of Athlon Sweden AB, owned by Athlon Beheer International B.V. (Dutch company). Athlon Sweden AB is located in Sweden, its main focus being the multi-brand provision of operating leasing and associated services as well as fleet management, for private vehicles and commercial vehicles.

The sale transaction is subject to certain suspensive conditions, including the approval of the transaction by the competition authorities in Sweden. It is expected that the suspensive conditions will be fulfilled during the first quarter of 2024, at which time the closure of the operation and the taking of control of the indicated participation will occur.

There have been no other significant changes in the Group's consolidation perimeter during 2023.

b.2) Financial Year 2022

Santander Consumer Leasing, B,V.. (Formerly Riemersma Leasing, B.V.)

On April 15, 2022, Santander Consumer Finance, S.A., through its branch in the Netherlands, reached an agreement to acquire 100% of the share capital of Riemersma Leasing, B.V., consisting of 45,400 shares of 1 euro of nominal value. The main purpose of this company was to provide, through its platform, operational leasing services on the Dutch market.

After obtaining the corresponding authorizations from the Dutch authorities, on 9 June 2022 the acquisition took place for a total amount of 21,308,805 euros.
The acquisition took place as follows:

- Acquisition from Lathouwers Beheer B.V. of its total share capital (66.67%) consisting of 30,268 shares for an amount of 14,206,496 euros.
- Acquisition of ING Corporate Investments Participations B.V., of its total share capital (33.33%) formed by 15,132 shares for an amount of 7,102,309 euros.

Thus the details of the acquired business were as follows:

Company acquired	Core business	Acquisition date	% shareholding (voting rights) acquired	Purchase consideration (million euro)
Riemersma Leasing, B.V.	Operational leasing services	9/06/2022 (*)	100%	21.3

(*) The acquisition was made retroactively on January 1, 2022, so that the company's results for the financial year 2022 belonged entirely to Santander Consumer Finance from the aforementioned date with the exception of the agreed dividend.

The details of the net assets of the acquired business were as follows:

	Value in Books (Millions of euros)
Customers	0.4
Non-current assets	63.7
Current assets	1.2
Financial liabilities at amortized cost	(49.6)
Non-current and current liabilities	(2.7)
Provisions	(2.0)
Net assets	**11.0**
Agreed dividend (*)	(3.6)
Net assets after dividend	**7.4**
Purchase consideration	21.3
Goodwill	13.9

(*) corresponds to the dividend agreed with the sellers before the closing of the transaction

The fair value of the acquired receivables amounts to 0.4 million and does not differ from their gross contractual amounts. The Managers of the parent company do not consider that at the date of acquisition there were indications that they would not be collected in full.

Net cash flow on acquisition:

	Millions of Euros
Cash paid	21.3
Less: Cash and cash equivalents.	-
Total	**21.3**

As of December 31, 2022, this company contributed a profit of €2.3 million to the consolidated Group's profit.

On May 11 , 2023, the company name of Riemersma Leasing, B.V was changed to Santander Consumer Leasing, B.V.

Drive, S.r.l. and Santander *Consumer Renting, S.r.l.*

On April 26, 2022 and March 30, 2022, respectively, Santander Consumer Bank, S,p.A, constituted two companies for the development of the activity of operational leasing, DRIVE, S.r.l. and Santander Consumer Renting, S.r.l. By issuing 1,000,000 of shares and 2,000,000 of shares, respectively, of 1 euro of nominal value each. Both companies began their activity at the end of the second quarter of 2022.
In December 2022, capital increases were carried out in both companies directly under the heading reserves and without issuing any shares:

- Drive. S.r.l.: Extension of 4 million euros.
- Santander Consumer Renting, S.r.l.: Extension of 2 million euros.

Vinturas Group

In 2020 and 2021, Santander Consumer Finance, S.A., participated in several capital increases of the Dutch company Vinturas Holding, B.V. (whose corporate purpose consisted, among others, of in having shares in companies that developed the establishment of a logistics platform following the blockchain technology that intended to digitize the supply chain) reaching a stake of 14.75% at december 31, 2021, for a total amount of 500,000 euros.

During the financial year 2022, an impairment of the total amount of the participation was made.

Merger Santander Consumer Finance, S.A. and Santander Consumer Banque, S.A. (France)

On February 22 and 24, 2022, the members of the Boards of Directors of Santander Consumer Banque, S.A. And Santander Consumer Finance, S.A. Approved the joint draft of merger between Santander Consumer Finance, S.A. (As an absorbing company) and Santander Consumer Banque, S.A. (As an absorbed company).

Consequently, on the occasion of the registration of this merger, and with effect date on October 14, 2022, there was the extinction without liquidation of Santander Consumer Banque, S.A and the transmission in block of all its assets to Santander Consumer Finance, S.A., that acquired it by universal succession and without solution of continuity. Also, on that same date, the assets of Santander Consumer Banque, S.A were automatically assigned to the branch that Santander Consumer Finance, S.A had established in the framework of the merger in France.

In accordance with the provisions of the implementing accounting regulations, for accounting purposes, 1 January 2022 was set as the date from which the transactions of the company being acquired were to be considered to have been carried out by the acquiring company.

There were no other significant changes in the Group's consolidation perimeter during 2022.

4. Bank´s profit distribution and earnings per share

a) Bank´s profit distribution

The distribution of the Bank's net profit for 2023 that the Board of Directors will propose to the General Shareholders' Meeting for approval and the proposal approved for the financial year 2022 by the Bank's General Shareholders' Meeting, held on March 31, 2023, it is as follows:

	EUR Thousands	
	2023	2022
Distributable profit:		
Balance per the income statement	917.223	851.793
Appropriation:		
To dividends paid	99.992	652.203
To legal reserve	91.722	85.179
To voluntary reserve	725.509	114.411
Total	917,223	851,793

On March 14, 2023, the Extraordinary General Shareholders Meeting agreed, on a proposal from the Board of Directors, to pay a dividend from freely available reserves of 507,477 thousand euros. This dividend was paid on 29 March 2023.

On October 9, 2023, in view of the Company's liquidity statement, the Board of Directors agreed to a distribution of dividends on account of the profit or loss of 2023 of 99,992 thousand euros. This dividend was paid on November 13, 2023.

The provisional accounting statement, which, in accordance with article 277 of the consolidated text of the Capital Companies Act, was formulated by the Bank's Administrators, showing the existence of sufficient resources for the distribution of the dividend on account, was as follows:

	Thousands of 31/08/2023
Estimated profit before tax	570,973
Less:	
Estimated income tax	(20,475)
Appropriation to legal reserve	(55,050)
Distributable profit	—
Interim dividend to be distributed	**495,448**
Gross dividend per share (euros) (*)	**0.05**

(*) Estimated with the number of Bank shares existing at the date of approval of the dividend on account.

b) Basic and diluted earnings per action

The basic profit per share (EPS) is determined by dividing the net income for the year attributable to the parent entity adjusted by the after-tax amount corresponding to the equity remuneration of the contingent convertible preferential units (see Note 23), between the weighted average number of Bank shares in circulation in that financial year, excluding, where appropriate, the average number of own shares held therein.

Accordingly:

	Thousands of Euros	
	2023	2022
Consolidated profit attributable to the parent	1,003,933	1,242,860
Remuneration of contingently convertible preferred equity (Note 23)	(94,103)	(72,875)
	909,830	1,169,985
Dilutive effect of changes in profit for the year arising from potential conversion of ordinary shares	—	—
Profit or loss from discontinuing operations (net of		
Profit or loss from continuing operations (net of	—	—
Weighted average number of shares outstanding	*909,830*	*1,169,985*
Adjusted number of shares	1,879,546,172	1,879,546,172
Basic and diluted EPS (Euro)	1,879,546,172	1,879,546,172
Of which:	*0.4840*	*0.6225*
From continued operations		
Consolidated profit attributable to the parent	*0.4840*	*0.6225*

5. Remuneration and other benefits to the Board of Directors and the Bank's senior management

a) Bylaw-stipulated emoluments and other fees

In accordance with the criteria established on the proposal of the Remuneration Committee, certain criteria are established for fixing the remuneration of directors. Those who perform executive functions in any of the companies of the Santander Group, will not receive any amount as remuneration for the performance of their positions in the Board of Directors and in their commissions. Directors not affiliated to the Santander Group and Independents will receive remuneration for the performance of their position as Director, as well as for each of the positions held in the different Commissions.

In 2023 the members of the Board of Directors of the Bank received 1,326 thousand euros in respect of statutory care and subsistence allowance (656 thousand euros in 2022), all of them corresponding to eight and six directors not related to the Santander Group and independent as of December 31, 2023 and 2022, respectively, according to the following detail:

	Thousands of euros	
	2023 (*)	2022
Antonio Escamez Torres	301	150
Jean Pierre Landau	112	112
Benita Ferrero-Waldner (**)	—	82
Luis Alberto Salazar-Simpson Bos	112	112
José Manuel Robles	192	97
Javier Monzon de Caceres	429	103
Marta Elorza Trueba	62	—
Emma Fernandez Alonso	60	—
Michael Rhodin	58	—

(*) In the financial year 2023 the form of payment to the Board of Directors has been modified, going from annual to expired financial year, to monthly. The amounts accrued in the financial year 2022, as well as in the financial year 2023, have been settled for the directors appointed on 22 May 2023.

(**) The amount actually accrued by this director has not been settled in the financial year 2023.

b) Post-employment and other long-term benefits

The obligations assumed by the Santander Group in respect of supplementary pensions to all its staff, both active and retired, include those corresponding to the current and previous Directors of the Bank, who perform (or have performed) executive functions in the Santander Group. Those directors who perform these functions in any of the companies of the Santander Group, will not receive any amount in post-employment benefits and other benefits as remuneration for the performance of their positions in Santander Consumer Finance, S.A.

In 2023, pension payments to members of the Board of Directors of the Bank amounted to 775 thousand euros in 2023 (775 thousand euros in 2022) and were made, mainly, by other entities of the Santander Group not belonging to the Santander Consumer Finance Group.

c) Loans and deposits

The balances corresponding to the direct risks of the bank and other entities of the Santander Group as of December 31, 2023 and 2022 in respect of loans, credits and guarantees provided to directors of the Bank are included in Note 47.

In all cases, the transactions with the Group have been carried out on market terms or the corresponding remuneration in kind has been charged.

d) *Senior management*

The remuneration received by the members (non-directors) of the Bank's senior management (15 persons in 2023 and 14 persons in 2022, respectively) amounted to 8,947 thousand euros and 9,417 thousand euros in 2023 and 2022, respectively, and they have been fully paid by other entities of the Santander Group other than the Consumer Group. In addition, no compensation has been received in 2023 for non-competition agreements of any member of the senior management.

In-kind remuneration paid to members (non-Directors) of the Bank's senior management amounted to 180 thousand euros in 2023, which were paid by other Santander Group entities other than the Group (99 thousand euros in 2022).

In 2023, contributions were made to the members (non-Directors) of the Bank's senior management to defined contribution pension plans amounting to 908 thousand euros (1,023 thousand euros in 2022). These contributions have been made by other entities of the Santander Group other than the Group. No payments have been made in 2023 and 2022.

The amount of share payments to senior management members during the 2023 financial year amounted to 379,792 shares corresponding to 1,410 thousand euros and 291,132 options amounting to 232 thousand euros. The total number of shares during the 2022 financial year was 465,858 corresponding to 1,738 thousand euros.

In all cases, the transactions with the Group have been carried out on market terms or the corresponding remuneration in kind has been charged.

e) *Termination of contract compensation*

The contracts of executive directors and senior managers with entities of the Santander Group are of indefinite duration. The termination of the relationship by breach of its obligations by the director or manager or by his free will not give right to any financial compensation. In the event of termination of the contract for any other reason, they will be entitled only to the legal compensation that, if applicable, corresponds.

f) *Information on investments held by the directors in other companies and conflicts of interest*

None of the members of the Board of Directors has stated that they are in a situation of conflict of interest of those established in article 229 of the Law of Capital Company, direct or indirect, that they or people linked to them could have with the interest of Santander Consumer Finance, S.A.

6. Loans and advances – credit institutions

The breakdown of the balance under the heading "Loans and advances – credit institutions" of the consolidated balance sheets as at 31 December 2023 and 2022 attached, according to their nature and currency, is as follows:

	Thousands of Euros	
	2023	2022
Type:		
Time deposits	1,080,763	62,135
Reverse repurchase agreements	60,531	67,249
Other accounts	287,031	260,922
	1,428,325	390,306
Currency:		
Euro	1,350,852	283,237
Foreign currency	77,473	107,069
	1,428,325	390,306

As of December 31, 2023, the balances held under this heading correspond mainly to Santander Consumer Finance, S.A (Spain) and Santander Consumer Bank A.S. (Nordics) for an amount of 1,254,706 thousand euros and 74,560 thousand euros respectively (as at December 31, 2022, at the same time, the following year: 96,768 thousand euros for Santander Consumer Bank A.S. and 73,439 thousand euros for PSA Bank Deutschland GmbH).

Note 44 of this consolidated report shows a detail of the maturity of these assets at the end of financial years 2023 and 2022 and their estimated fair value as at 31 December 2023 and 2022.

A significant part of deposits in credit institutions corresponds to balances with associates and entities of the Santander Group (see Note 46).

The breakdown as of December 31, 2023 of the exposure by impairment stage of the assets recorded under IFRS9 is 1,431,021 thousand euros, all of which are recorded in stage 1 (392,325 thousand euros in stage 1 in the financial year 2022) and of the provision fund per deterioration stage is 2,696 thousand euros, all of which are registered in stage 1 (2,130 thousand euros in stage 1 in 2022).

This section also includes: irrevocable payment commitments to the Single Resolution Fund made in accordance with Article 70.3 of Regulation 806/2014 laying down uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms within the framework of a single resolution mechanism and a Single Resolution Fund, for which, according to the rule, no provision has been recorded, these commitments being not significant in relation to the consolidated annual accounts.

7. Debt securities

The breakdown of the "debt securities" balance of the accompanying consolidated balance sheets as at 31 December 2023 and 2022, based on their classification, nature and currency, is as follows:

	Thousands of Euros	
	2023	2022
Classification:		
Financial assets at fair value through other comprehensive income	151,337	726,508
Non-trading financial assets mandatorily measured at fair value through profit or loss	844	1,444
Financial assets at amortised cost	4,189,837	6,185,061
	4,342,018	6,913,013
Type:		
Spanish sovereign debt	786,697	921,128
Foreign sovereign debt	3,180,400	5,347,062
Issued by financial institutions	128,337	141,587
Other fixed income securities	246,653	503,362
Impairment losses	(69)	(126)
	4,342,018	6,913,013
Currency:		
Euro	3,640,332	6,582,093
Foreign currency	701,755	331,046
Gross total	4,342,087	6,913,139
Less - Impairment losses	(69)	(126)
	4,342,018	6,913,013

As of 31 December 2023 and 2022, the entire impairment exposure balance for "debt securities" and the impairment provision fund were in stage 1.

The balance as of December 31, 2023 and 2022 of the Account "Spanish Public Debt" in the previous table corresponds, mainly, to other annotated debts issued by the Spanish State, acquired by Santander Consumer Finance, S.A.

The balance as at December 31, 2023 of the "Foreign Public Debt" account in the table above corresponds mainly to Italian bonds acquired by Santander Consumer Finance, S.A, for 1,179,112 thousand euros by Santander Consumer Bank AG for 732,030 thousand euros, by Santander Consumer Bank S.p.A. for 350,542 thousand euros and Stellantis Financial Services Italia S.p.A. for 101,671 thousand euros. In addition, Danish and Swedish bonds purchased by Santander Consumer Bank AS for 110,062 thousand euros and 414,237 thousand euros, respectively.

The balance as at 31 December 2022 of the "Foreign Public Debt" account in the table above corresponds mainly to Italian bonds acquired by Santander Consumer Finance, S.A, for 1,157,907 thousand euros, to Finnish Treasury bonds, Belgian and Norwegian acquired by the dependent entity Santander Consumer Bank AS (Norway) for about 43,672 thousand euros, 72,477 thousand euros and 70,896 thousand euros, respectively, German, Italian, Luxembourg, and Italian Treasury bonds. Belgian and French acquired by the German subsidiary Santander Consumer Bank AG for 1,583,068 thousand euros, 718,290 thousand euros, 222,574 thousand euros, 316,592 thousand euros and 268,148 thousand euros respectively, and Italian Treasury bonds acquired by Italian subsidiaries Santander Consumer Bank S.p.A. and Stellantis Financial Services Italia S.p.A. for about 448,845 thousand euros.

Note 44 of this consolidated report shows a detail of the maturity of these financial assets at the close of financial years 2023 and 2022.

8. Equity instruments

The corresponding balance "equity instruments" of the consolidated balance sheets as at 31 December 2023 and 2022 accompanying, taking into account their classification and nature, is as follows:

	Thousands of Euros	
	2023	2022
Classification:		
Financial assets at fair value through other comprehensive	23,526	21,961
Mandatory to VR with results changes	41	45
	23,567	22,006
Type:		
Spanish companies	5.000	998
Foreign companies	18.567	21.008
	23,567	22,006
TOTAL	23,567	22,006

The movement under the heading "Financial assets at fair value through other comprehensive income – equity instruments" as at 31 December 2023 and 2022 of the accompanying consolidated balance sheet is as follows:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	21,961	22,591
Net additions (disposals)	3,919	337
Valuation adjustments	(2,354)	(967)
Currency translation and other differences	—	—
Balance at end of period	23,526	21,961

9. Financial assets and liabilities held for trading

a) *Derivatives held for trading*

The following is a breakdown of the fair value of derivatives contracted by the Group, as at 31 December 2023 and 2022, classified according to inherent risks:

	Thousands of Euros			
	2023		2022	
	Balance	Balance	Balance	Balance
Interest rate risk	322,498	335,101	463,159	466,009
Exchange rate risk	1,400	8,493	31,505	22
	323,898(*)	343,594(*)	494,664(*)	466,031(*)

(*) Of which, as at 31 December 2023, 223,678 thousand euros and 241,094 thousand euros of debtor and creditor balances, respectively, correspond to amounts held with companies of the Santander Group (334,747 thousand euros and 307,105 thousand euros of debtor and creditor balances, respectively, it corresponded to entities of the Santander Group as of December 31, 2022) -see Note 46.

The table above shows the maximum level of credit risk exposure for debtor balances.

b) Notional and market value of trading derivatives

The following is a breakdown of the notional and market value of trading derivatives contracted by the Group as at 31 December 2023 and 2022, classified according to inherent risks:

	Thousands of Euros			
	2023		2022	
	Notional value	Market value	Notional value	Market value
Trading derivatives:				
Inherent rate risk-				
Forward rate agreements	—	—		—
Interest rate swaps	23,739,116	(12,582)	19,353,32	(4,682)
Options and futures and other	2,396,571	(21)	3,414,24	1,832
Credit risk	—	—		—
Credit Default Swap	—	—		—
Exchange risk	—	—		—
Buy foreign exchange	519,695	*(7,093)*	1,797,74	31,489
Currency options	—	—	1	(6)
Foreign exchange swaps	76,425	—	48,62	—
Derivatives on securities and commodities (*)	—	—		—
	26,731,807	**(19,696)**	**24,613,96**	**28,633**

10. Loans and advances - clientele

a) *Composition of the balance*

The composition of the balance under this heading of the consolidated balance sheets, according to their classification, is:

	Thousands of Euros	
	2023	2022
Financial assets at amortized cost	115,507,725	106,499,445
Non-trading financial assets mandatorily measured at fair valor through profit or loss	658	387
Which:		
Value corrections for impairment	*(2,133,317)*	*(1,956,054)*
Loans and advances to customers without considering value corrections for impairment	117,641,700	108,455,886

Note 44 shows the details of the maturity of financial assets at amortized cost, as well as their average interest rates.

Note 47 shows the Group's total exposure, depending on the issuer's geographical origin. There are no credits to customers of indefinite duration for significant amounts.

b) Detail

The following is the breakdown of loans and advances granted to the Group's clients, which reflect the Group's credit risk exposure in its core business, without taking into account the balance of the impairment value corrections, taking into account the modality and situation of the operations, the geographical area of their residence and the mode of the interest rate of the operations:

	Thousands of Euros	
	2023	2022
Loan type and status:		
Commercial credit	489,498	358,983
Secured loans	24,921,345	20,956,543
Other terms loans	62,641,060	56,323,555
Finance leases	23,608,177	25,347,169
Receivables on demand and other	1,453,272	1,139,088
Credit card receivables	2,015,430	2,150,500
Impaired assets	2,512,918	2,180,048
	117,641,700	108,455,886
Geographical area:		
Spain and Portugal	16,158,921	14,951,535
Italy	15,541,847	10,351,612
France	19,411,560	15,940,474
Germany and Austria	44,171,926	42,099,289
Scandinavia	17,390,189	17,815,074
United Kingdom	—	2,819,118
Other	4,967,257	4,478,784
	117,641,700	108,455,886
Interest rate formula:		
Fixed rate	87,335,953	79,507,813
Floating rate	30,305,747	28,948,073
	117,641,700	108,455,886
Currency:		
Euros	101.748.489	90.628.942
Foreign currency	15.893.211	17.826.944
	117.641.700	108.455.886
Less:		
Impairment changes	*(2,133,317)*	*(1,956,054)*
TOTAL	115.508.383	106.499.832

As of December 31, 2023 and 2022, the Group had EUR 860 and EUR 919 thousand, respectively, of loans and advances granted to Spanish Public Administrations with a rating of A and EUR 204,713 and EUR 198,952 thousand, respectively, granted to the public sector in other countries (as of December 31, 2023, this amount was composed, depending on the rating of the issuer, as follows: 63% AAA, 32% AA, 0% A and, 5% BBB and 0% without rating).

Without considering the Public Administrations, the amount of loans and advances as of December 31, 2023 and 2022 amounts to 117,436,127 and 108,256,015 thousand euros.

On May 22, 2014, the Bank subscribed 4,152 mortgage shares issued by Banco Santander, S.A., for an amount of 424,397 thousand euros, they were recorded under the heading "Loans and receivables – clientele" of the balance sheet and are included under the heading "Secured debtors" in the table above. These mortgage shares correspond to loans with maturities between 3 and 39 years and accrue annual interest between 0.20% and 4.523%.

On April 26, 2012, the Bank subscribed 3,425 mortgage shares, issued by Banco Santander, S.A., for an amount of 416,625 thousand euros, they were recorded under the heading "Loans and receivables – clientele" of the balance sheet and are included under the heading "Secured debtors" in the table above. These mortgage shares correspond to loans with maturities between 1 and 38 years and accrue annual interest between 0.002% and 3.273%. The outstanding balance of these shares amounts to 244,518 thousand euros as of December 31, 2023 (eur 303,311 thousand as at 31 december 2022).

As of 31 December 2023 and 2022, there were no indefinite claims to clients for significant amounts.

Note 46 includes certain information regarding the restructured/refinanced portfolio, as well as the distribution of the loan to the client by activity, net of impairment, as at 31 December 2023 and 2022.

The movement of gross exposure by impairment stage of loans and customer advances recorded under the headings "Financial assets at amortized cost" for 2023 and 2022 is then broken down:

2023	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	102,230,428	4,045,023	2,180,048	108,455,499
Movements				
Transfers:				
Transfer to Stage 2 from Stage 1	(2,210,312)	2,210,312	—	—
Transfer to Stage 3 from Stage 1	(908,358)	—	908,358	—
Transfer to Stage 3 from Stage 2	—	(571,731)	571,731	—
Transfer to Stage 1 from Stage 2	1,265,864	(1,265,864)	—	—
Transfer to Stage 2 from Stage 3	—	149,575	(149,575)	—
Transfer to Stage 1 from Stage 3	47,154	—	(47,154)	—
Net changes in financial assets	17,070,169	(236,639)	(266,392)	16,567,138
Write-offs	—	—	(629,361)	(629,361)
Exchange differences and other	(6,412,303)	(285,194)	(54,737)	(6,752,234)
Balance at end of period	111,082,642	4,045,482	2,512,918	117,641,042

In addition, the group has 25,642,721 thousand euros of commitments and financial guarantees granted subject to impairment, of which 25,528,907 thousand euros are in Stage 1, 85,960 thousand euros in Stage 2 and 27,854 thousand euros in Stage 3.

2022	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	96.229.354	3.412.057	2.033.052	101.674.463
Movements				
Transfers:				
Transfer to Stage 2 from Stage 1	(2.549.410)	2.549.410	—	—
Transfer to Stage 3 from Stage 1	(721.064)	—	721.064	—
Transfer to Stage 3 from Stage 2	—	(514.371)	514.371	—
Transfer to Stage 1 from Stage 2	1.140.767	(1.140.767)	—	—
Transfer to Stage 2 from Stage 3	—	137.777	(137.777)	—
Transfer to Stage 1 from Stage 3	28.108	—	(28.108)	—
Net changes in financial assets	8.935.179	(366.402)	(153.166)	8.415.611
Write-offs	—	—	(749.860)	(749.860)
Exchange differences and other	(832,506)	(32,681)	(19,528)	(884,715)
Balance at end of period	102,230,428	4,045,023	2,180,048	108,455,499

As of December 31, 2022, the group had 27,052,044 thousand euros of commitments and financial guarantees granted subject to impairment, of which 26,865,725 thousand euros were in phase 1, 127,214 thousand euros in stage 2 and 59,105 thousand euros in stage 3.

c) *Impairment losses on loans and advances to clients at amortized cost and at fair value through other comprehensive income*

Next, it shows the movement that has occurred in the balance of provisions covering impairment losses on the assets that make up the balance of the headings Financial assets at amortized cost and at fair value through changes in other comprehensive income in the clientele line:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	1.956.054	2,115,180
Impairment losses through profit or loss	840.662	641.332
Of which:		
Impairment charges to profit or loss	*2.258.845*	*2,334,407*
Reversal of impairment charges to profit or loss	*(1.418.183)*	*(1,693,075)*
Write-off impaired balances against recorded impairment allowance	*(37.452)*	—
Currency translation differences and other changes	*(629.361)*	*(749,860)*
Balance at end of period	3.414	(50,598)
Of which:	2.133.317	1.956.054
By asset class:		
Impaired Assets		
Other	*1.413.375*	*1,228,609*
By calculation method:	*719.942*	*727,445*
Calculated individually		
Calculated collectively	*149.221*	*143,520*
Balance at beginning of period	*1.984.096*	*1,812,534*

The following is the breakdown of the movement of the gross amount of the fund for loan insolvencies and client advances recorded under the heading "Financial assets at amortized cost" under IFRS9 for the financial years 2023 and 2022:

2023				
	Thousands of euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	476.717	250.728	1.228.609	1.956.054
Transfers:				
Transfer to Stage 2 from Stage 1	(64.839)	373.723	—	308.884
Transfer to Stage 3 from Stage 1	(18.592)	—	270.096	251.504
Transfer to Stage 3 from Stage 2	—	(195.080)	406.693	211.613
Transfer to Stage 1 from Stage 2	43.479	(195.500)	—	(152.021)
Transfer to Stage 2 from Stage 3	—	21.633	(86.968)	(65.335)
Transfer to Stage 1 from Stage 3	1.119	—	(19.454)	(18.335)
Net changes in financial assets and changes in credit risk	1,565	(15,315)	318,102	304,352
Write-offs	—	—	(629.361)	(629.361)
Exchange differences and other	14.256	26.048	(74.342)	(34.038)
Balance at end of period	453.705	266.237	1.413.375	2.133.317

2022				
	Millions of euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	528,498	294,101	1,292,581	2,115,180
Transfers:				—
Transfer to Stage 2 from Stage 1	(61,758)	307,013	—	245,255
Transfer to Stage 3 from Stage 1	(18,621)	—	226,461	207,840
Transfer to Stage 3 from Stage 2	—	(191,044)	400,045	209,001
Transfer to Stage 1 from Stage 2	38,894	(140,762)	—	(101,868)
Transfer to Stage 2 from Stage 3	—	20,220	(96,059)	(75,839)
Transfer to Stage 1 from Stage 3	881	—	(13,340)	(12,459)
Net changes in financial assets and changes in credit risk	(9,044)	(28,753)	207,199	169,402
Write-offs			(749,860)	(749,860)
Exchange differences and other	(2,133)	(10,047)	(38,418)	(50,598)
Balance at end of period	476,717	250,728	1,228,609	1,956,054

As at 31 December 2023 and 2022, the Group did not present significant amounts in impaired assets purchased with impairment.

In 2023, a reversal of 56 thousand euros (endowment of 272 thousand euros in 2022) and income on assets in hold recovered of 156,733 thousand euros (189,129 thousand euros in 2022) was recorded in fixed income. In addition, no amounts have been recognized for renegotiation or contractual modification during the years 2023 and 2022. This includes the amount recorded under impairment or reversal of impairment of financial assets not measured at fair value through profit or loss or net gain on change in: financial assets at fair value through other comprehensive income and financial assets at amortized cost (IFRS9) and, in loans and receivables (NIC39); amounts to 683,873 thousand euros (451,931 thousand euros in 2022).

In the years 2023 and 2022, the Group has sold the following portfolios of bad loans:

Society	Thousands of Euros	
	31/12/2023	31/12/2022
	Nominal	Nominal
Santander Consumer Bank AG (Germany)	85,000	258,000
Santander Consumer Bank S.p.A. (Italy)	40,000	16,600
Santander Consumer Bank A.S. (Norway)	105,000	58,700
Santander Consumer Finance OY (Finland)	23,000	10,600
Santander Consumer Bank GmbH (Austria)	44,000	41,800
Financiera El Corte Inglés, E.F.C., S.A. (Spain)	68,000	—
Banque Stellantis France (France)	—	40,000
Stellantis Financial Services España, E.F.C., S.A. (Spain)	—	64,300
Stellantis Bank Deutschland GmbH (Germany)	—	21,400
Santander Consumer Finance Inc. (Canada)	19,000	—
Transolver Finance EFC, S.A.	1,407	—
Santander Consumer Finance, S.A. (Spain)	144,900	151,300
Of which:		
Spanish subsidiary in Portugal (*)	*17,300*	*25,400*
Spanish subsidiary in Netherlands (*)	*8,500*	*7,900*
	530,307	662,700

(*) See note 1.A.

The sale price of the failed loan portfolios made in 2023 was 127,000 thousand euros (145,600 thousand euros as of December 31, 2022). The profit or loss obtained from such sales (profit) has been recorded by credit to the chapter "Impairment of the value or reversing impairment of financial assets not measured at fair value through profit or loss – financial assets at amortized cost" in the attached consolidated profit and loss account.

Home purchase loans granted to those households by the main business in Spain

The quantitative information regarding the credit granted by the Group to households for the acquisition of homes by the main businesses in Spain, as of December 31, 2023 and 2022, is as follows:

	31-12-2023		31-12-2022	
	Thousands of Euros		Thousands of Euros	
	Gross amount	Of which: Doubtful	Gross amount	Of which: Doubtful
Loans for housing acquisition				
- No mortgage guarantee	—	—	—	—
- With mortgage guarantee	1,056,134	50,420	1,216,220	55,421
	1,056,134	50,420	1,216,220	55,421

The breakdown of the Group's loans with mortgage guarantee to households for home acquisition in Spain, according to the percentage of total risk on the amount of the last available valuation (loan to value), as of December 31, 2023 and 2022, are as follows:

	2023					
	Risk on last available valuation amount (value of debt)					
In millions of Euros	Not more than 40 per cent	More than 40 per cent and less than or equal to 60	More than 60 per cent and less than or equal to 80	More than 80 per cent and less than or equal to 100	Above 100%	TOTAL
Gross amount	278	268	182	148	180	1,056
- Of which: Doubtful	4	8	8	9	21	50

	2022					
	Risk on last available valuation amount (value of debt)					
In millions of Euros	Not more than 40 per cent	More than 40 per cent and less than or equal to 60	More than 60 per cent and less than or equal to 80	More than 80 per cent and less than or equal to 100	Above 100%	TOTAL
Gross amount	299	315	218	169	215	1.216
- Of which: Doubtful	5	9	11	8	22	55

Securitisations

The balance of financial assets classified as financial assets at amortized cost – clientele in the consolidated balance sheets as of December 31, 2023 and 2022 attached includes, among others, those loans transmitted to third parties by securitization on which risk is maintained, even partially, this is why, according to current regulations, they cannot cancel the consolidated balance sheet. The details of the amounts securitized as at 31 December 2023 and 2022, classified according to the dependent entity that originated the securitized portfolio, and whether or not they have met the requirements for cancelation of the consolidated balance sheet, as described in Note 2-d of this consolidated report, the following is indicated:

	Thousands of Euros	
	2023	2022
Derecognized	—	—
Held on the balance sheet:	28,138,864	32,479,951
Of which:		
Santander Consumer Bank AG	*8.694.299*	*11,985,025*
Compagnie Generale de Credit Aux particuliers - Credipar S.A.	*6.938.694*	*5,772,604*
Santander Consumer Bank S.p.A.	*2.878.783*	*2,362,857*
Santander Consumer Finance, S.A.	*2.253.650*	*2,346,467*
Stellantis Financial Services Italia S.p.A.	*1.711.197*	*1,391,508*
Financiera El Corte Inglés, E.F.C., S.A.	*1.375.104*	*1,342,660*
Santander Consumer Bank GmbH	*1.290.471*	*1,341,132*
Santander Consumer Finance Oy	*1.079.807*	*1,196,631*
Stellantis Financial Services, Spain, E.F.C., S.A.	*645.536*	*1,121,800*
PSA Bank Deutschland GmbH	—	*1,673,300*
PSA Finance UK Limited	—	*1,252,528*
Hyundai Capital Bank Europe GmbH	*861.190*	*379,537*
Allane SE	*410.133*	*313,902*
Total	28,138,864	32,479,951

The nature of the securitised assets is essentially vehicle financing and consumer financing.

In the financial years 2023 and 2022, the dependent entities indicated in the table above have securitized claims amounting to EUR 8,827,500 thousand and EUR 5,026,660 thousand, respectively. As the risks and benefits associated with these credit rights have not been substantially transferred, they have not been removed from the consolidated balance sheet.

Note 19 of this consolidated report reports liabilities associated with securitization operations.

Impaired assets

The movement that has occurred in the balance of financial assets classified as financial assets at amortized cost – clientele and considered as impaired due to their credit risk (non-performing assets) is as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	2,180,048	2,033,052
Additions net of recoveries	1,016,968	916,383
Written-off assets	(629,336	(749,860)
Perimeter changes	(41,499)	—
Exchange differences and other movements (net)	(13,238)	(19,527)
Balance at year-end	**2,512,918**	**2,180,048**

This amount, after deducting its corresponding provisions, represents the Group's best estimate of the discounted value of the flows expected to be recovered from impaired assets.

The delinquency rate calculated as the result of dividing the financial assets at amortized cost (clientele) in stage 3 and contingent risks recorded in the consolidated balance sheets as at 31 December of this year by the total balance of financial assets at amortized cost (clientele and contingent risks), it stood at 2.15 per cent as at 31 december 2023 (2.06 per cent as at 31 december 2022).

11. Assets and liabilities in disposal groups classified as held for sale

The balance of the chapter "Non-current assets and disposal groups classified as held for sale" in the consolidated balance sheets as at 31 December 2023 and 2022 attached, it includes the amount of assets awarded and recovered by consolidated entities from non-performing claims, net of impairment value corrections, as well as the assets of those dependent entities that have been classified as interrupting operations, according to the following detail:

	Thousands of Euros	
	31/12/2023	31/12/2022
Enclosed tangible assets	5.199	8.477
Of which Foreclosed tangible assets in Spain	*2.399*	*2.568*
Other tangible assets held for sale	60.082	36.860
	65.281	45.337

The balance of provisions as at 31 December 2023 is 15,491 thousand euros (15,534 thousand euros in December 2022). The allocations made during the financial years 2023 and 2022 amounted to 3,210 and 753 thousand euros respectively and the recoveries made during these periods amounted to 2,622 and 1,405 thousand euros (see Note 42).

Disclosures on assets received by the businesses in Spain in payment of debts

The details of the origin of the assets awarded by the Group's Spanish businesses according to the destination of the loan or credit initially granted from which they originate, as of December 31, 2023 and 2022, are as follows:

EUR Thousand	31/12/2023				31/12/2022			
	Gross book value	Impairment losses	Of which: impaired since acquisition	Carrying value	Gross book value	Impairment losses	Of which: impaired since acquisition	Carrying value
Property assets arising from financing granted for construction and property development	—	—	—	—	—	—	—	—
Of which:	—	—	—	—	—	—	—	—
Completed buildings	—	—	—	—	—	—	—	—
Residential	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Land	—	—	—	—	—	—	—	—
Developed land	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Property assets arising from home purchase mortgage financing granted to households	14,214	12,025	8,874	2,189	14,744	12,364	8,973	2,380
Other property assets received in payment of debts	1,287	1,077	1,060	210	1,267	1,079	1,062	188
Total property assets	15,501	13,102	9,934	2,399	16,011	13,443	10,035	2,568

12. Investments in joint ventures and associates

The details of the balance of this heading of the consolidated balance sheets as of December 31, 2023 and 2022 attached, taking into account the company that originates it, are as follows:

	Thousands of Euros	
	2023	2022
Associates:		
Santander Consumer Bank S.A. (Poland)	454.754	401.297
Santander Consumer Multirent Sp. z o.o. (Poland)	29.765	24.270
Stellantis Financial Services Polska Sp. z o.o. (Poland)	12.194	8.393
Santander Consumer Finanse Sp. z o.o. (Poland)	—	6.124
Ethias Lease (Belgium)	1.988	—
Pavever GmbH (Germany)	1.548	1.480
Stellantis Consumer Financial Services Polska Sp. z o.o. (Poland)	807	717
Santander Consumer Financial Solutions Sp. z o.o. (Poland)	(237)	550
Other associated entities	—	31
	500.819	442.862
Of which goodwill:		
Pavever GmbH (Germany)	1.238	1.238
Santander Consumer Bank S.A. (Poland)	104.674	97.049
	105.912	98.287
Joint ventures:		
Fortune Auto Finance Co. Ltd. (China)	254.178	244.333
Stellantis Insurance Europe Ltd (Malta)	52.582	30.621
Stellantis Life Insurance Europe, Ltd (Malta)	18.072	6.681
Other joint ventures	319	280
	325.151	281.915
	825.970	724.777

The movement in the balance under this heading of the accompanying consolidated balance sheets during the years 2023 and 2022 is shown below:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	724.777	682.414
Purchases and capital increases	1.988	—
Sales	—	—
Dividends paid	(38.468)	(3.894)
Effect of equity method accounting (Note 32)		
Changes in the consolidation perimeter	77.075	96.736
Value impairment adjustments (Note 3.b)	—	—
Currency translation differences and other	—	—
Balance at end of period	60.598	(50.479)
Balance at beginning of period	825.970	724.777

Impairment value corrections

In the years 2023 and 2022 there is no evidence of significant deterioration in the Group's shares.

A summary of the financial information of associates and joint ventures is as follows:

	Millions of Euros	
	2023 (*)	2022
Data on 31 December		
Total assets	10,981	8,589
Total liabilities	(9,154)	(6,932)
Equity	(1,827)	(1,657)
Group's share of the net assets of associates	720	626
Goodwill	106	99
Total Group share	826	725
Data for the year		
Total income	1,712	1,585
Total profit	129	194
Group's share of the profit of associates	77	97

(*) This information has been obtained from the annual accounts of each of the entities, which were pending approval by their respective Control Bodies at the date of formulation of these consolidated annual accounts. However, the Bank Administrators consider that they will be approved without modification.

Other information

A summary of the financial information as at 31 December 2023 for major associates and joint ventures (derived from information available at the date of formulation of the consolidated annual accounts) is as follows:

	Joint ventures	Associated entities
Thousands of euros	SANTANDER CONSUMER BANK SPOLKA AKCYJNA	FORTUNE AUTO FINANCE CO., LTD.
Current assets	192,448	186,401
Non-current assets	4,434,657	2,035,859
Total assets	4,627,105	2,222,260
Current liabilities	355,119	20,858
Non-current liabilities	3,345,424	1,693,047
Total liabilities	3,700,543	1,713,905
Net attributable profit for the period	14,677	50,955
Other comprehensive income	(30,176)	(18,952)
Other	942,061	476,352
Total equity	926,562	508,355
Total liabilities and equity	4,627,105	2,222,260
Income from ordinary activities	485,501	218,454
Profit for the period from continuing operations	14,745	50,955
Income after taxes from discontinued operations	—	—

13. Tangible assets

The movement in the balance of this chapter in the consolidated balance sheets as at 31 December 2023 and 2022 attached, during the years 2023 and 2022, was as follows:

Thousands of euros	Tangible assets: Of own use	Tangible assets: Other assets transferred under	Tangible assets: Real estate investments	Tangible assets: Total	Of which: Right of use for the operating lease: Of own use	Of which: Right of use for the operating lease: Other assets transferred under	Of which: Right of use for the operating lease: Real estate investments	Of which: Right of use for the operating lease: Total
Cost:								
Balances as at 31 December 2021	765,006	2,091,073	—	2,856,079	429,145	—	—	429,145
Additions/Disposals(net)	15,435	736,533	—	751,968	2,964	—	—	2,964
Additions	24,652	1,129,494	—	1,154,146	8,222	—	—	8,222
Disposals	(9,217)	(392,961)	—	(402,178)	(5,258)	—	—	(5,258)
Net Additions/disposals due to changes in the consolidation perimeter	2,419	59,504	—	61,923	1,048	—	—	1,048
Currency Transaction differences	(3,112)	2,922	—	(190)	(2,446)	—	—	(2,446)
Transfers and other	(40,345)	388,298	—	347,953	2,092	—	—	2,092
				—		—	—	
Balances as at 31 December 2022	739,403	3,278,330	—	4,017,733	432,803	—	—	432,803
Additions/Disposals (net)	50,282	1,436,388	—	1,486,670	35,695	—	—	35,695
Additions	*72,304*	*2,089,156*		*2,161,460*	*46,660*	—	—	46,660
Disposals	*(22,022)*	*(652,768)*	—	*(674,790)*	*(10,965)*	—	—	(10,965)
Net Additions/disposals due to changes in the consolidation perimeter	*4,636*	*47,554*	*5,940*	58,130	(13,224)	—	—	(13,224)
Currency Transaction differences	*(1,389)*	*6,186*	—	4,797	*(1,103)*	—	—	(1,103)
Transfers and other	*6,783*	*105,497*	—	112,280	*7,557*	—	—	7,557
Balances as at 31 December 2023	799,715	4,873,955	5,940	5,679,610	461,728	—	—	461,728
Accrued amortization:								
Balances as at 31 December 2021	(363,641)	(180,641)	—	(544,282)	(138,511)	—	—	(138,511)
Net Additions/disposals due to changes in the consolidation perimeter	(1,383)	—	—	(1,383)	291	—	—	291
Charges	(71,061)	—	—	(71,061)	(42,523)	—	—	(42,523)
Disposals and retirements	6,402	139,519	—	145,921	3,787	—	—	3,787
Currency translation differences	1,871	(1,358)	—	513	1,333	—	—	1,333
Transfers and others	57,298	(436,889)	—	(379,591)	7,854	—	—	7,854
Balances as at 31 December 2022	(370,514)	(479,369)	—	(849,883)	(167,769)	—	—	(167,769)
Net Additions/disposals due to changes in the consolidation perimeter	(5,660)	(10,621)	—	(16,281)	6,853	—	—	6,853
Charges	(72,609)	—	—	(72,609)	(45,682)	—	—	(45,682)
Disposals and retirements	11,492	150,931	—	162,423	4,314	—	—	4,314
Currency translation differences	826	(1,944)	—	(1,118)	631	—	—	631
Transfers and others	7,466	(605,667)	—	(598,201)	1,785	—	—	1,785
Balances as at 31 December 2023	(428,999)	(946,670)	—	(1,375,669)	(199,868)	—	—	(199,868)
Impairment losses								
Balances as at 31 December 2021	(1,035)	(4,423)	—	(5,458)	(1,034)	—	—	(1,034)
Net Additions/disposals due to changes in the consolidation perimeter	—	—	—	—		—	—	
Charges	(968)	(1,397)	—	(2,365)	(353)	—	—	(353)
Releases	18	1,362	—	1,380	18	—	—	18
Disposals and retirements	1,025	805	—	1,830	416	—	—	416
Transfers and other	29	343	—	372	23	—	—	23
Balances as at 31 December 2022	(931)	(3,310)	—	(4,241)	(930)	—	—	(930)
Net Additions/disposals due to changes in the consolidation perimeter	422	—	—	422	422	—	—	422
Charges	(552)	(1,874)	—	(2,426)	(156)	—	—	(156)
Releases	104	2,491	—	2,595	104	—	—	104
Disposals and retirements	855	105	—	960	443	—	—	443
Transfers and other	(23)	(132)	—	(155)	(7)	—	—	(7)
Balances as at 31 December 2023	(125)	(2,720)	—	(2,845)	(124)	—	—	(124)
Net tangible assets:						—	—	
Balances as at 31 December 2022	367,958	2,795,651	—	3,163,609	264,104	—	—	264,104
Balances as at 31 December 2023	370,591	3,924,565	5,940	4,301,096	261,736	—	—	261,736

(1) The depreciation appropriations are made under the heading "depreciation" of the consolidated profit and loss account.

The balance of tangible assets acquired through the execution of leases amounts to 261,736 thousand as at 31 December 2023 (264,104 thousand as at 31 December 2022). The Group's policy is to formalize insurance policies to cover the possible risks to which the various elements of its fixed material are subject.

The Group has earned net gains of EUR 143 thousand in 2023 (EUR 570 thousand of net losses in 2022) on sales of plant and equipment (Note 42).

The breakdown, according to their nature, of the items in the balance under the heading "Tangible assets – fixed assets – tangible assets – for own use" as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros				
	Cost	Accumulated depreciation	Fund	Carrying amount	Of which: Right-of-use for operating lease
Buildings	436,328	(164,762)	—	271,566	261,036
Furniture	195,987	(123,586)	—	72,401	4,017
Computer equipment	88,724	(70,748)	—	17,976	—
Others	18,364	(11,418)	(931)	6,015	(949)
Balances as at 31 December 2022	739,403	(370,514)	(931)	367,958	264,104
Buildings	485,639	(211,392)	—	274,247	259,649
Furniture	203,918	(129,306)	—	74,612	2,186
Computer equipment	92,296	(75,880)	—	16,416	—
Others	17,862	(12,421)	(125)	5,316	(99)
Balances as at 31 December 2023	799,715	(428,999)	(125)	370,591	261,736

The net balance of tangible assets for own use as of December 31, 2023, includes approximately 342,114 thousand euros (337,732 thousand euros as of December 31, 2022) corresponding to fixed assets owned by the Group's foreign subsidiaries.

14. Goodwill

The balance of this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached, depending on the cash generating units that originate it, is as follows:

	Thousands of Euros	
	2023	2022
Germany	1,297,469	1,297,469
Austria	98,074	98,074
Nordics (Scandinavia)	205,561	215,443
Netherlands	13,897	13,897
Spain	87,123	87,543
Portugal (*)	2,681	—
Canada (*)	10,909	—
Total	1,715,714	1,712,426

(*) corresponds to the goodwill originated by the acquisition of Camine D - Services, Unipessoal Lda. In Portugal and acquisition of Carfinco in Canada (see note 3).

The Group, at least annually (and whenever there are signs of impairment), conducts an analysis of the potential loss of value of the goodwill it has registered in respect of its recoverable value. The first step in carrying out this analysis requires the identification of the cash generating units, which are the Group's smallest identifiable asset groups that generate cash inflows that are, to a large extent, independent of cash flows from other assets or groups of assets.

The carrying value of each cash-generating unit is determined by taking into account the book value (including any fair value adjustment arising in the business combination) of all assets and liabilities; of the set of independent legal entities that make up the cash generating unit, together with the corresponding goodwill.

This carrying value to be recovered from the cash generating unit is compared with its recoverable amount in order to determine if there is impairment.

The Group's managers evaluate the existence of any evidence that could be considered as evidence of deterioration of the cash generating unit by reviewing certain information, including: (i) various macro-economic variables that may affect your investment (including, among others, population data, data, and data). political situation and economic situation – including the degree of banking –) and (ii) various micro-economic variables that compare the Group's investment with the financial sector of the country where the cash generating unit mainly carries out its activities (balance sheet composition, total managed resources, results, efficiency ratio, etc.) ratio of solvency and return on own resources, among others).

Irrespective of the existence or otherwise of signs of impairment, the Group annually calculates the recoverable amount of each cash generating unit that it has allocated goodwill for which it uses quotations, if available, market references (multiples), internal estimates, o assessments made by independent experts other than external auditors.

First, the Group determines the recoverable amount by calculating the fair value of each cash generating unit from the quotation of the cash generating units, if available, and the Price Earnings Ratio of comparable local entities.

In addition, the Group makes estimates of the recoverable amount of certain cash generating units by calculating their value in use by discounting cash flows. The main assumptions used in this calculation are: (i) Projections of results based on the financial budgets approved by the Administrators that usually cover a period of between 3 and 5 years (unless there is a justification for the use of a longer time horizon), (ii) discount rates determined as the cost of capital taking into account the risk-free rate plus a risk premium according to the market and business in which they operate; and (iii) constant growth rates in order to estimate the results in perpetuity, which do not exceed the long-term average growth rate for the market in which the cash-generating unit in question operates.

The cash flow projections used by the Group Management in obtaining the values in use are based on the financial budgets approved by both the local directorates of the respective units and the Group administrators. The Group's budget estimation process is common for all cash-generating units. Local bureaus prepare their budgets based on the following key assumptions:

a) Micro-economic variables of the cash generating unit: The existing balance sheet structure, the mix of products offered and the business decisions taken by local directorates in this regard are taken into account.

b) Macroeconomic variables: The estimated growth is based on the evolution of the environment considering the expected evolutions in the gross domestic product of the geographical location of the unit and the forecasts of the behavior of interest rates and exchange rates. Such data is provided by the Group's Research Service, which is based on external information sources.

c) Variables of past behavior: Additionally, the projection considers the past differential behavior (both positive and negative) of the cash generating unit with respect to the market.

During the 2023 period, the Group has not recorded any impairment losses.

The following are the main assumptions used in determining the recoverable amount, at the close of 2023 and 2022, of the most significant cash generating units that have been valued by discounting cash flows:

	2023		
	Projected period	Discount rate (*)	Growth rate at nominal perpetuity
Austria	3 years	9.8 %	2.3 %
Germany	5 years	9.7%	2.3%
Nordics (Scandinavia)	5 years	11.2 %	2.5%

(*) Discount rate after tax in order to be uniform with the projections of results used.

	2022		
	Projected period	Discount rate (*)	Growth rate at nominal perpetuity
Austria	3 years	9.4%	2.3%
Germany	5 years	9.4%	2.3%
Nordics (Scandinavia)	5 years	11.0 %	2.5%

(*) Discount rate after tax in order to be uniform with the projections of results used.

The changes reflected in the assumptions used in the 2023 period are mainly a consequence of the current macroeconomic scenario, as well as the rising level of inflation and difficulties in supply chains, which have led to a rapid increase in central bank reference interest rates in the main countries where the Group's GEU are located.

Given the degree of uncertainty of the main assumptions mentioned above on which the recoverable amount of the cash generating units is based, the Group carries out a sensitivity analysis consisting of adjusting the discount rate +/- 50 basis points, adjust +/-50 basis points the growth rate in perpetuity and reduce cash flow projections by 5%. These changes in key assumptions in isolation mean that the recoverable amount of all cash generating units continues to exceed their carrying value and have been considered by the Group as reasonably possible in a stable and non-performing economic environment they contemplate non-recurring events and unrelated to the operation of the business of the cash generating units.

The movement in the balance sheet under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached during the years 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	1,712,426	1,707,480
Acquisitions	13,590	13,897
Additions	—	—
Impairment value (Note 41)	—	—
Currency translation differences and other	(10,302)	(8,951)
Balance at year-end	**1,715,714**	**1,712,426**

Grupo Santander Consumer Finance has trading funds generated by cash generating units located in countries with currencies other than the euro (mainly in Nordics) and consequently generate exchange differences when converting to euros, at the closing exchange rate, the amount of such goodwill expressed in foreign currency. Thus, during the 2023 financial year there has been a decrease due to exchange differences and other concepts amounting to 10,302 thousand euros (decrease of 8,951 million euros in 2022), which, in accordance with the current regulations, they have been recorded under the heading 'Other cumulative comprehensive income - items that can be reclassified to profit or loss - currency conversion from equity', through the attached consolidated statement of recognized income and expenditure.

15. Other intangible assets

The balance under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 appended is as follows:

	Useful life Estimated	Thousands of Euros	
		2023	2022
With defined useful life:			
Client portfolio	2 years	19.929	23.349
Computer developments	3 years	391.384	360.170
Others	8.5 years	125.974	1.996
		537.287	385.515

The balance included under the heading "Other" includes 124,071 thousand euros corresponding to the acquisition on April 3, 2023 of the new business origination rights for financing products of all Stellantis brands. This acquisition has taken place in the context of the reorganization of the global agreement with Stellantis (see Note 3).

The movement in the balance sheet under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached was as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	385,515	356,033
Net additions and others	292,871	158,831
Depreciation allowance (1)	(135,762)	(117,702)
Impairment losses (Note 40)	(5,337)	(11,647)
Balance at year-end	537,287	385,515

(1) The depreciation appropriations are accounted for under the heading "depreciation" of the consolidated profit and loss account.

Most of the additions in 2023 and 2022 relate to the implementation of computer applications in certain Group companies in Germany, Spain, Italy and Norway, as well as the acquisition of the origination rights of new business by Stellantis. In 2022, there were additions amounting to 64,542 thousand euros corresponding in part to the incorporation of the branches in De Santander Consumer Finance S.A.

During the 2023 financial year, the Group has removed elements of the intangible assets that have generated losses amounting to 5,337 thousand euros (11,647 thousand euros in the 2022 financial year) due to obsolescence. recorded under the heading "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss" of the consolidated profit and loss accounts (see Note 40).

16. Other assets and other liabilities

The composition of the balance of these chapters of the accompanying consolidated balance sheets, as at 31 December 2023 and 2022, is as follows:

	Thousands of Euros			
	Active		*Liabilities*	
	2023	*2022*	*2023*	*2022*
Inventories	*5,437*	*8,880*	—	—
Prepaid expenses	*190,133*	*200,307*	—	—
Accrued expenses	—	—	*1,120,997*	*967,856*
Transactions in transit	*8,216*	*3,894*	*92,975*	*76,225*
Other	*943,582*	*772,083*	*1,000,400*	*830,749*
	1,147,368	*985,164*	*2,214,372*	*1,874,830*

17. Deposits of central banks and credit institutions

The composition of the balance under the heading "Financial liabilities at amortized cost – Deposits – Credit institutions" of the consolidated balance sheets as at 31 December 2023 and 2022 attached, taking into account their nature and currency, is as follows:

	Thousands of Euros	
	2023	2022
Central banks		
Type:		
Term deposits	5,465,555	17,900,641
	5,465,555	17,900,641
Credit institutions		
Nature:		
Demand deposits	527,637	273,895
Term deposits	14,388,006	10,890,128
Reverse repurchase agreements	83,910	—
Subordinated deposits	675,666	456,179
	15,675,219	11,620,202
Currency:		
Euro	20,838,668	29,452,984
Foreign currency	302,106	67,859
	21,140,774	29,520,843

As of 31 December 2023, the balance of the European Central Bank TLTRO (Targeted Longer-Term Refinancing Operation) amounts to EUR 5,329 million, with the balance totaling under the TLTRO III program.

As at 31 December 2023, the expenditure recognized in the consolidated profit and loss account for TLTRO III amounts to 395,714 thousand euros (83,202 thousand euros of income as at 31 December 2022).

A significant part of these deposits at 31 December 2023 and 2022 in credit institutions corresponds to transactions with entities of the Santander Group (see Note 46).

Note 44 of this consolidated report shows a detail of the maturity of these financial liabilities at amortized cost at the close of financial years 2023 and 2022 and their estimated fair values for those financial years.

As of 31 December 2023 and 2022, consolidated institutions had outstanding credit lines amounting to EUR 568,017 thousand and EUR 368,650 thousand respectively.

The details of the liabilities subordinated to 31 December 2023 and 2022 according to their currency of issue are as follows:

	Thousands of Euros		2023		2022	
Currency of issue	2023	2022	Outstanding amount (millions)	Annual interest rate (31/12/2023)	Outstanding amount (millions)	Annual interest rate (31/12/2022)
Euros	675,666	456,179	648,500	5.73 %	431,000	2.34 %
Balance at year-end	675,666	456,179				

The details of the balance of subordinated liabilities denominated in euros per company as at 31 December 2023 and 2022 are as follows:

Financial year 2023				
Company	Thousands of Euros	Counterparty	Date Early Cancellatio	Maturity date
Santander Consumer Finance S.A.	200,000	Banco Santander, S.A.	(2)	06/06/2029
Santander Consumer Finance S.A.	200,000	Banco Santander, S.A.	(2)	08/05/2029
Stellantis Financial Services S.P.A.	11,000	Stellantis Financial Services	(2)	22/11/2029
Stellantis Financial Services S.P.A.	22,500	Stellantis Financial Services	(2)	13/12/2027
Stellantis Financial Services S.P.A.	45,000	Stellantis Financial Services	(2)	27/07/2033
Stellantis Financial Services Spain EFC SA	20,000	Stellantis Financial Services	(2)	19/12/2027
Banque Stellantis France	105,000	Stellantis Financial Services	(2)	28/02/2033
Banque Stellantis France	45,000	Stellantis Financial Services	(2)	20/12/2033
More- Adjustments by valuation	27,166			
Total	675,666			

(1) It cannot be canceled in advance.
(2) It may be canceled in advance.

Financial year 2022				
Society	Thousands of Euros	Counterpart	Date of Early Cancellation	Expiration date
Santander Consumer Finance S.A.	200.000	Banco Santander. S.A.	(2)	06/06/2029
Santander Consumer Finance S.A.	200,000	Banco Santander, S.A.	(2)	08/05/2029
Stellantis Financial Services Italia S.p.A. (*)	11.000	Banque Stellantis France (*)	(2)	22/11/2029
Stellantis Financial Services España, E.F.C., S.A. (*)	20.000	Banque Stellantis France (*)	(2)	19/12/2027
More- Adjustments by valuation	25,179			
Total	456,179			

(1) It cannot be canceled in advance.
(2) It may be canceled in advance.
(*) previously called Banca PSA Italia S.p.A., PSA Financial Services Spain, E.F.C., S.A. and Banque PSA France

The movement in the balance of the consolidated balance sheets under this heading as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	456.179	455.224
Additions	217.500	—
Banque Stellantis France	150.000	—
Stellantis Financial Services S.P.A.	67.500	—
Amortisations (*)	—	—
Net additions / withdrawals due to modifications of the consolidation	(89)	—
Differences of change and others	6.576	955
Balance at year-end	680.166	456.179

(*) During the financial year 2023 and 2022 there have been no depreciations. The interest paid in remuneration of these issues is 31,132 thousand euros (10,627 thousand euros in the financial year 2022). The balance relating to amortizations and interest paid is reflected in the cash flow of financing activities.

18. Customer deposits

The composition of the balance under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached, taking into account their nature, geographical area and currency of operations, is as follows:

	Thousands of Euros	
	2023	2022
Type:		
In sight-		
Current accounts	20,695,019	20,183,923
Savings accounts	13,877,669	12,490,865
Other funds in sight	2,328	1,453
Term deposits		
Fixed-term and other deposits	14,176,650	8,510,920
Term deposits	92,674	140,066
	48,844,340	41,327,227
Geographical area:		
Spain and Portugal	4,285,564	2,070,991
Germany	28,071,751	25,201,401
Italy	1,505,041	1,357,795
France	4,282,987	3,387,033
Scandinavia	7,898,486	7,217,679
Austria	2,741,311	2,060,958
Rest	59,200	31,370
	48,844,340	41,327,227

Within the account "Taxes and other term deposits" as of December 31, 2022, in the table above, there were registered single mortgage bonds issued by the Bank on July 20, 2007 for a nominal amount of 150,000 thousand euros that matured on July 20 from 2022 and which were secured by mortgages registered in favor of the Bank (see Notes 10 and 19). These ballots were signed by Santander Investment Bolsa, Sociedad de Valores, S.A., which gave them, in turn, to the Asset Securitisation Fund, Independent Mortgage Securitisation Programme. The annual interest rate on these ballot cards was 5.135% and their maturity on July 20, 2022. There were no early repayment options for either the Bank or the holder, excluding legally established assumptions.

Likewise, on December 31, 2023, this heading includes bonds received in the amount of 95,238 thousand euros (141,255 thousand euros as of December 31, 2022) and other installment debits in the amount of 21,722 thousand euros (eur 18,625 thousand as at 31 december 2022).

Note 44 of this consolidated report shows a detail of the maturity of these financial liabilities at amortized cost at the end of the financial years 2023 and 2022, as well as their average annual interest rates for those years as well as their fair value estimate as at 31 december 2023 and 2022.

19. Debt securities issued

The composition of the balance under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached, taking into account their nature, is as follows:

·	Thousands of Euros	
	2023	2022
Bonds and debentures outstanding	37.145.196	31,242,461
Promissory notes and other securities	13.228.238	6,695,321
Subordinates	1.231.789	917,978
	51.605.223	38.855.760

Bonds and obligations in circulation

The balance of "Bonds and Debentures Outstanding" account in the table above includes, among other things, the outstanding balance of the Bonds and Obligations issued by the Group's subsidiaries – Banque Stellantis France, S.A. (France), Santander Consumer Bank AG (Germany) and Santander Consumer Bank AS (Norway), for an amount of EUR 6,643 million as at 31 December 2023 (EUR 6,112 million as at 31 December 2022) and the balance, as at that date, of the financing obtained by the Group in securitization operations carried out by the Group's subsidiaries, for an amount of eur 15,037 million (eur 12,584 million as at 31 december 2022).

The General Meeting of the Bank's Shareholders, at its meeting held on March 14, 2023, agreed to empower the Board of Directors of the Bank to issue multi-currency fixed income securities up to an amount of 45,000 million euros. For its part, the Board of Directors, at its meeting held on May 22, 2023, delegated these powers to the Executive Committee of the Bank. The Executive Committee, at its meeting held on 12 June 2023, agreed to issue a Euro Medium Term Notes Programme, replacing the one described above, with a nominal maximum outstanding balance that could not exceed 25,000 million euros. The Programme was listed on the Irish Stock Exchange on 14 June 2023.

As at 31 December 2023, the outstanding balance of these notes amounted to 16,019,535 thousand euros (12,942,874 thousand euros as at 31 December 2022), with their maturity from 27 February 2024 to 29 March 2033. The annual interest rate on these financial liabilities ranged from 0 to 6.080 per cent (0 to 4.110 per cent as at 31 December 2022).

Promissory notes and other securities

The balance of the "promissory notes and effects" account in the table above corresponds to issues made by the Bank, admitted to trading, which have accrued an average annual interest of 3.55% in 2023 (0.19% in 2022), according to the following detail:

– During the year 2023, the Bank's Executive Committee, at its meeting held on June 19, 2023, agreed to issue a "Euro Commercial Paper" Issuance Program, replacing the current one, for a nominal maximum outstanding balance that may not exceed eur 10,000 million. These fixed income securities have a maturity ranging from a minimum of one day to a maximum of 364. The Programme was listed on the Irish Stock Exchange on 14 June 2023.

As at 31 December 2023, the outstanding balance of these promissory notes amounted to EUR 6,890,500 thousand (EUR 4,408,500 thousand as at 31 December 2022).

– During the year 2023, the Bank's Executive Committee, at its meeting held on October 18, 2023, agreed to issue a "Notes Program", replacing the current one, with a nominal maximum outstanding balance that may not exceed 5,000 million euros. These promissory notes, whose unit nominal value amounts to 100,000 euros, have a maturity ranging from a minimum of 3 working days to a maximum of 731 calendar days (two years and one day). This program was registered in the official registers of the National Securities Market Commission on November 16, 2023.

The balance of promissory notes quoted on the AIAF market amounted to 1,751,200 thousand euros as at 31 December 2023 (523,300 thousand euros as at 31 December 2022).

- On December 14, 2023, Santander Consumer SA issued Credit Link Notes (CLNS) for the amount of 1,262,612 thousand Danish kroner (169,379 thousand euros). These notes refer to a vehicle financing loan portfolio originating from Santander Consumer Bank AS (Danish branch) of DKK 13,649,857 thousand. The annual interest rate of the notes issued is a variable interest rate of Cibor at 3 months plus a spread of 8.50%. As at 31 December 2023, the outstanding balance of notes issued by third parties outside the Group amounts to DKK 1,262,612 thousand (EUR 169,404 thousand). This issue was authorized by the Bank's Executive Committee at its meeting held on November 15, 2023.

Likewise, on December 31, 2023, Santander Consumer Bank, A.G., Banque Stellantis France and Santander Consumer Bank AS (Norway) maintained issues in promissory notes and negotiable securities amounting to 4,744 million euros (1,815 million euros as at December 31, 2022).

Subordinated negotiable securities

The program includes three subordinated notes with outstanding balance of EUR 1,200,000 thousand with an average maturity of September 1, 2031 and an average annual interest rate of 3.76%.

Other information

As of December 31, 2023 and 2022, none of the issues indicated are convertible into shares of the Bank, nor do they grant privileges or rights that may, in the event of any contingency, make them convertible into shares.

Note 44 of this consolidated report shows a detail of the maturity of these financial liabilities at amortized cost at the end of the financial years 2023 and 2022, as well as their average annual interest rates for those years as well as their fair value estimate as at 31 december 2023 and 2022.

Information on issues, repurchases or redemptions of debt securities

The following is a detail, as at December 31, 2023 and 2022, of the outstanding balance of the debt securities issued by the Bank or any other entity of the Group, at those dates, depending on the market in which they are traded, if any. A detailed account of the movement in this balance during the years 2023 and 2022 is also shown:

Santander Consumer Finance	Thousands of Euros					
	Financial year 2023					
	Living balance at 01-01-2023	Perimeter	Emissions	Repurchases or refunds	Adjustments for Exchange Rate	Living balance at 31-12-2023
Bonds and obligations in circulation	31,242,461	(1,467,263)	13,842,012	(6,588,276)	116,262	37,145,196
Total bonds and outstanding obligations	31,242,461	(1,467,263)	13,842,012	(6,588,276)	116,262	37,145,196
Promissory notes and other securities	6,695,321	—	14,095,471	(7,457,300)	(105,254)	13,228,238
Subordinates	917,978	—	300,000	—	13,811	1,231,789
Total	38,855,760	(1,467,263)	28,237,483	(14,045,576)	24,819	51,605,223

Santander Consumer Finance	Thousands of Euros					
	Financial year 2022					
	Living balance at 01-01-2022	Perimeter	Emissions	Repurchases or refunds	Adjustments for Exchange Rate	Living balance at 31-12-2022
Bonds and obligations in circulation	34,756,330	—	5,330,095	(8,589,994)	(253,970)	31,242,461
Mortgage bonds	450,012	—	—	(450,000)	(12)	—
Total bonds and outstanding obligations	35,206,342	—	5,330,095	(9,039,994)	(253,982)	31,242,461
Promissory notes and other securities	5,142,670	—	7,331,200	(5,720,600)	(57,949)	6,695,321
Subordinates	303,219	—	600,000	—	14,759	917,978
Total	40,652,231	—	13,261,295	(14,760,594)	(297,172)	38,855,760

Other issues guaranteed by the Group

As of December 31, 2023 and 2022, the Group guarantees certain debt securities issued by Group companies.

Information required by Royal Decree 716/2009

Article 21 of Royal Decree 716/2009, of 24 April, establishes that institutions issuing bonds or mortgage bonds shall keep a special accounting record of loans and mortgage credits that serve as collateral for such issues, the replacement assets that support them and the derivative financial instruments linked to each issue. This special accounting record must also indicate whether loans and mortgage credits are eligible or not in accordance with Article 3 of the aforementioned Royal Decree 716/2009. The Bank of Spain will determine the essential data of the aforementioned register that must be incorporated into the annual accounts of the issuing entity, having defined several statements of public information on the mortgage market in Circular 4/2017 of the Bank of Spain.

C Mortgage relief

The mortgage bonds issued by the Bank were securities whose capital and interest were especially secured by mortgage, without registration, without prejudice to the Bank's universal patrimonial responsibility. All the mortgage bonds issued matured during the 2022 financial year.

20. Other financial liabilities

The composition of the balance under this heading "'Financial liabilities at amortized cost – other financial liabilities' in the consolidated balance sheets as at 31 December 2023 and 2022 accompanying, is as follows:

	Thousands of Euros	
	2023	2022
Declared dividends payable	—	—
Trade payables	195,565	180,029
Collection accounts	45,216	25,934
Other financial liabilities (*)	1,560,010	1,167,437
	1,800,791	1,373,400

(*) As of December 31, 2023, the balance includes 37,954 thousand euros, corresponding to credit balances for fiscal consolidation with Banco Santander, S.A., being the amount recorded for this concept 3,718 thousand euros as of December 31, 2022.

Note 44 of this consolidated report shows a detail of the maturity of these financial liabilities at the end of financial years 2023 and 2022 and the estimate of their fair value as at 31 December 2023 and 2022.

Lease liabilities

The cash outflow per lease 2023 was 45,357 thousand euros (37,017 thousand euros in 2022).

The maturity analysis for lease liabilities as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Maturity Analysis – Discounted payments		
Within 1 year	32,483	45,351
Between 1 year and 3 years	78,374	93,687
Between 3 years and 5 years	49,435	43,577
More than 5 years	98,916	75,522
Recognised lease liabilities as of December 31	259,208	258,137

During the years 2023 and 2022, no significant variable payments have been made not included in the valuation of lease liabilities.

Information on the average payment period to suppliers. Additional provision third "duty of information" of Law 15/2010, of July 5

The Third Additional Provision of Law 15/2010, of July 5, amending Law 3/2004, of December 29, establishing measures to combat late payment of commercial transactions, modified by Final Provision Second of Law 31/2014, of December 3, it establishes the duty of information to commercial companies to expressly include in the report of their annual accounts their average payment period to suppliers and that the Institute of Accounting and Audit of Accounts ("ICAC"), by resolution, will indicate the adaptations that are necessary, in accordance with the provisions of this Law, so that commercial companies not framed in article 2.1 of Organic Law 2/2012, of April 27, on budgetary stability and financial sustainability, properly apply the methodology for calculating the average payment period to suppliers determined by the Ministry of Finance and Public Administrations. In the case of companies that formulate consolidated annual accounts, this duty of information is also extended for consolidated annual accounts, but in this case, exclusively for companies based in Spain that are consolidated by the method of global integration.

The ICAC resolution referred to in the previous paragraph *(resolution of 29 January 2016 on the information to be incorporated in the annual accounts report in relation to the average payment period to suppliers in commercial transactions), which was published in the Official State Gazette of February 4, 2016, develops, among other aspects, the* methodology to be applied for the calculation of the average payment period to suppliers, which has been applied, therefore, by the Bank for the purpose of preparing the information on this subject included in these consolidated annual accounts.

For the purpose of the proper understanding of the information contained in this Note, in accordance with the provisions of the applicable regulations indicated above, note that "suppliers" are understood exclusively to be those suppliers of goods and services to the Spanish companies of the Group whose expenditure is accounted for, mainly, under the heading "Administrative expenses – other administrative expenses" of the consolidated profit and loss account, not including in this Note, therefore, information on payments in financial transactions that constitute the object and main activity of the Group or to fixed assets suppliers, that, where appropriate, may exist, which have been carried out in any case, in accordance with the deadlines established in the corresponding contracts and in the current legislation.

In addition, note that, in application of the provisions of the aforementioned ICAC Resolution, only transactions for goods or services received accrued since the entry into force of Law 31/2014 have been taken into account and that, given the nature of the services received by the Spanish entities of the Group consolidated, the period between the date of receipt of invoices and the date of payment has been considered as "payment days" for the purpose of the preparation of this information.

The information required by the regulations indicated above is presented below for the financial years 2023 and 2022, in the format required by the ICAC resolution, which has been mentioned in the preceding paragraphs for the Spanish companies of the Consolidated Group in these consolidated annual accounts:

	Financial year 2023	Financial year 2022
	Days	Days
Average period of payment to suppliers	24.37	20.82
Ratio of transactions settled	24.30	20.80
Ratio of transactions not yet settled	27.89	21.26
	Thousands of Euros	Thousands of Euros
Total payments made	523,082	349,897
Total payments outstanding	10,144	12,410

Indicate that although according to Law 3/2014, of December 29, the maximum payment term to suppliers is 60 days, Law 11/2013, of July 26, established the maximum payment term in 30 days, expandable, by agreement between the parties, a maximum of 60 days.

The average period and ratios of paid and unpaid transactions included in the table above have been calculated according to the definitions and methodology defined in the resolution of 29 January 2016 of the ICAC mentioned above.

In addition, in accordance with Law 18/2022 of September 28, listed companies must inform in the average payment period to suppliers, in addition, the monetary volume and number of invoices paid in a period less than the maximum established in the late payment regulations and the percentage it assumes on the total number of invoices and on the total monetary payments to its suppliers.

	Thousands of euros	Thousands of euros
	2023	2022
Paid Invoices	43,156	39,693
Invoices paid in a period less than the maximum over the total number of invoices paid	97.35 %	98.97 %
Total payments made	475,810	400,925
Invoices paid in a period less than the maximum on the total amount of invoices paid	99.02 %	96.71 %

Commercial creditors are considered suppliers, for the sole purpose of providing the information provided for in this resolution, for debts to suppliers of goods or services.

"Average period of payment to suppliers" means the period from the delivery of the goods or the provision of services by the supplier and the material payment for the transaction.

21. Provisions

The composition of the balance of this chapter of the consolidated balance sheets as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Provision for pensions and other employment defined benefit obligations	453.105	414.385
Provisions for other long-term employee benefits	30.282	31.488
Provisions for taxes and other legal contingencies	37.066	10.089
Provisions for commitments and guarantees given	21.058	28.010
Provision for pensions and other employment defined benefit obligations	125.947	126.903
	667.458	610.875

The following shows the movement in the balance of these headings in the accompanying consolidated balance sheets during the years 2023 and 2022:

	2023					
	Pensions and similar obligations	Other long term employee	Taxes and other legal contingencies	Contingent liabilities and commitments	Other provisions (****)	Total
Balances at beginning of period	414,385	31,488	10,089	28,010	126,903	610,875
Net inclusion (exclusion) of Entities in (from) the Group	(4,140)	(93)	1,041	—	1,048	(2,144)
Additions/(Reversals) charged (credited) to income:	22,986	7,237	13,010	(6,350)	43,322	80,205
Interest expense (Note 31)	*16,534*	*1,011*	—	—	—	*17,545*
Other Interest	—	—	—	—	—	—
Staff costs (Note 39)	*6,435*	*1,117*	—	—	—	*7,552*
Net additions to provisions (amounts used) (*) (***)	*17*	*5,109*	*13,010*	*(6,350)*	*43,322*	*55,108*
	433,231	38,632	24,140	21,660	171,273	688,936
Changes in value recognised in equity	34,383	—	—	—	—	34,383
Payments to retired employees and pre-retirees with a charge to internal provisions (**)	*(16,372)*	*(8,313)*	—	—	—	*(24,685)*
Insurance premiums paid, return premiums received and payments to external funds	(1,983)	—	—	—	—	(1,983)
Amounts used	—	—	(3,124)	—	(54,184)	(57,308)
Transfers, exchange differences and other changes	3,846	(37)	16,050	(602)	8,858	28,115
	19,874	(8,350)	12,926	(602)	(45,326)	(21,478)
Balances at end of year	*453,105*	*30,282*	*37,066*	*21,058*	*125,947*	*667,458*

(*) The balance of net allowances (applications) for pension provisions and other post-employment defined benefit obligations, as well as long-term employee allowances related to the years 2023 and 2022 is broken down as follows.
(**) The balance of payments to pensioners and pre-retired staff from internal funds is broken down as follows:
(***) This amount is recorded under the heading “Provisions or reversal of provisions” of the consolidated profit and loss account.
(****) Includes provisions provided in the various companies of the Group, derived from their usual operations.

	2022					
	Pensions and similar obligations	Other long term employee	Taxes and other legal contingencies	Contingent liabilities and commitments	Other provisions (****)	Total
Balances at beginning of period	598,456	44,442	9,576	39,403	134,033	825,910
Net inclusion (exclusion) of Entities in (from) the Group	—	—	—	—	—	—
Additions/(Reversals) charged (credited) to income:	*17,850*	*(2,447)*	*12,939*	*(11,332)*	*25,449*	*42,459*
Interest expense (Note 31)	*8,105*	*575*	—	—	—	*8,680*
Other Interest	—	—	—	—	—	—
Staff costs (Note 39)	*11,999*	*1,313*	—	—	—	*13,312*
Net additions to provisions (amounts used) (*) (***)	*(2,254)*	*(4,335)*	*12,939*	*(11,332)*	*25,449*	*20,467*
	616,306	41,995	22,515	28,071	159,482	868,369
Changes in value recognised in equity	(177,950)	—	—	—	—	*(177,950)*
Payments to retired employees and pre-retirees with a charge to internal provisions (**)	(15,232)	(10,193)	—	—	—	*(25,425)*
Insurance premiums paid, return premiums received and payments to external funds	(2,935)	—	—	—	—	*(2,935)*
Amounts used	—	—	*(13,106)*	—	*(47,964)*	*(61,070)*
Transfers, exchange differences and other changes	(5,804)	(314)	*680*	*(61)*	*15,385*	*9,886*
	(201,921)	(10,507)	(12,426)	(61)	(32,579)	(257,494)
Balances at end of year	*414,385*	*31,488*	*10,089*	*28,010*	*126,903*	*610,875*

(*) The balance of net allowances (applications) for pension provisions and other post-employment defined benefit obligations, as well as long-term employee allowances related to the years 2023 and 2022 is broken down as follows.
(**) The balance of payments to pensioners and pre-retired staff from internal funds is broken down as follows:
(***) This amount is recorded under the heading "Provisions or reversal of provisions" of the consolidated profit and loss account.
(****) Includes provisions provided in the various companies of the Group, derived from their usual operations.

	Thousands of Euros	
	2023	2022
	Expenses / (income)	
Post-employment remuneration – Spanish entities:		
Past service cost	—	—
Pre-retirements	—	—
Curtailments/settlements	—	—
Return premiums received on defined contribution pension plans	—	—
	—	—
Other long-term remuneration – Spanish entities:		—
Recognised actuarial losses/(gains) (obligations and assets)	(181)	(1,370)
Pre-retirements	5,298	—
Past service cost	490	45
Curtailments/settlements	—	—
	5,607	(1,325)
Foreign entities:		
Recognised actuarial losses/(gains) (obligations and assets)	(43)	(4,804)
Past service cost	97	—
Pre-retirements	—	—
Curtailments/settlements	(536)	(459)
	(482)	(5,263)
	5,125	(6,588)

The balance of payments to pensioners and pre-retired staff from internal funds is broken down as follows:

	Thousands of Euros	
	2023	2022
Post-employment remuneration – Spanish entities	1,998	2,024
Other long-term remuneration – Spanish entities	7,626	9,712
Foreign entities	15,061	13,689
	24,686	25,425

a) Provisions for pensions and similar obligations

i. Post-employment remuneration: Defined contribution plans – Spanish entities

The Group guarantees the following post-employment commitments of defined contribution:

Santander Consumer Finance, S.A.

Commitments guaranteed from effective retirement after May 1996, which are insured in an externalization policy signed with an unrelated entity (Generali Spain, Sociedad de Seguros y Reaseguros). At present, the entire insured group is already receiving the retirement benefit.

No premiums have been paid to the insurance company in 2023 and 2022 (see Note 2-r).

Spanish entities

The Collective Agreement of the Spanish entities of the Group, signed on February 2, 2012, has established a supplementary social security system for active staff who meet certain conditions, which has been implemented through a defined contribution pension plan. This Pension Plan covers the following contingencies: Retirement, death, and permanent disability (total, absolute or great disability). The Spanish entities of the Group have assumed the commitment to make an annual contribution of 900 euros for each of the participants. In the financial year 2023, contributions were made for this concept in the amount of 707 thousand euros (716 thousand euros in the financial year 2022), recorded under the heading "Administrative expenses – staff costs" in the attached consolidated profit and loss account (see Note 39).

In addition, some of the branches abroad have defined contribution plans (mainly Santander Consumer Holanda, Santander Consumer Benelux). The contributions made to these plans, in the years 2023 and 2022 amounted to 3,099 and 3,034 thousand euros, respectively, which are recorded under the heading "Administration expenses - personnel expenses" of the consolidated profit and loss account for both years (see Note 39).

ii. Post-employment remuneration: Defined benefit plans – Spanish entities

The Group guarantees as defined provision the following commitments of the Spanish entities:

Santander Consumer Finance, S.A.

- Pension commitments arising from the Collective Banking Agreement with active staff, pre-retired staff (including future life risk insurance premiums) and passive staff, in addition to other commitments made to pre-retired staff and liabilities prior to May 1996, fully covered by internal fund.

- Life insurance guaranteed to passive personnel from Banco de Fomento, S.A., insured in a policy that does not meet the requirements of externalization, subscribed with an unrelated entity (Axa España, S.A.). The present value of future premiums is covered by internal fund.

- Commissary and coal gas guaranteed to pensioners under the Internal Regime Regulations of the Banking Labour Commissary, covered in domestic fund.

In addition, post-employment commitments of defined benefit have branches abroad: Belgium, France and Greece.

Autodescuento, S.L.

- Commitment consisting of a retirement benefit included in the Collective Agreement of Offices and Offices.

The present value of the commitments made by the Spanish consolidated entities in the field of post-employment remuneration, as of December 31, 2023 and 2022, is shown below:

	Thousands of Euros	
	2023	2022
Present value of the obligations: To current employees		
Active employees	—	—
Vested obligations to retired employees and pre-retirees	16,411	21,006
Other obligations to retired employees	—	—
Provisions - Pensions and similar obligations for defined contribution plans (Note 2-r)	16,411	21,006

The present value of liabilities has been determined by independent actuaries, who have applied the following criteria to quantify them:

Method of calculation: "Of the projected unit of credit", which contemplates each year of service as generator of an additional unit of entitlement to benefits and values each unit separately.

Actuarial assumptions used: Not biased and compatible with each other. Specifically, the most significant actuarial assumptions they considered in their calculations were:

	2023	2022
Annual discount rate	3.35 %	3.70 %
Mortality tables	PERM/F-2020	PERM/F-2020
Cumulative annual CPI growth	2 %	2 %
Annual salary increase rate	N/A.	N/A.
Annual social security pension increase rate	2 %	2 %

(*) Maximum quotation base growth 2024: 5% / 3% according to exit agreement; rest of years CPI + 1.2% / 3%

The interest rate used to update flows has been determined by reference to high-quality corporate bonds.

The estimated retirement age of each employee is the first to which they are entitled to retire or the agreed, if any.

The amounts recognized in the consolidated profit and loss accounts in respect of these pension commitments for the financial years 2023 and 2022 are shown below:

	Thousands of Euros	
	2023	2022
	Expenses / (income)	
Current service cost (Notes 2-r and 39)	242	374
Net interest cost (Note 31)	752	369
Expected return on assets	(188)	—
Extraordinary charges	—	—
Cost of past services/early retirements	—	—
Other interests	(174)	—
Amount recognised in the financial year	632	743

In addition, during the 2023 financial year the heading "Another cumulative comprehensive income – actuarial gains or losses on defined benefit pension plans" recorded a net payment of 875 thousand euros in respect of defined benefit commitments (net charge of 1,945 thousand euros in 2022).

The movement that has occurred, during the years 2023 and 2022, in the present value of the obligation accrued by commitments of defined provision of the Spanish entities of the Group, has been as follows:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	21,323	27,513
Increase or decrease by acquisition	—	418
Current service cost (Notes 39 and 2-r)	242	374
Interest cost (Note 31)	752	429
Pre-retirements	—	—
Effect of curtailments/settlements	—	—
Benefits paid	(2,261)	(2,429)
Past service cost	—	—
Actuarial (gains)/losses (Note 2-r) (*)	731	(5,097)
Other	(252)	115
Present value of the obligations at end of year	20,535	21,323

(*) In 2023 it includes actuarial losses of 377 thousand euros and actuarial losses by financial assumptions of 354 thousand euros (actuarial losses of 185 thousand euros and actuarial financial gains of 5,283 thousand euros in post-employment plans in 2022).

The movement in the fair value of assets affected by defined provision commitments of the Spanish entities of the Group during the financial years 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	5,424	6,341
Increase or decrease by acquisition	—	—
Expected return on plan assets	188	59
Actuarial (gains)/losses	(185)	(874)
Contributions	272	408
Benefits paid	(263)	(405)
Other	—	(105)
Fair value of plan assets at the end of year	5,436	5,424

iii. Other long-term remuneration – Spanish entities

The long-term commitments, other than post-employment remuneration, guaranteed by the Group's Spanish subsidiaries and classified as defined benefit are as follows:

Santander Consumer Finance, S.A.

- Commitments to pre-retired staff up to the effective date of retirement, covered by an internal fund.
- Life insurance guaranteed to pre-retired staff, under the Group's Collective Agreement, signed with an unrelated entity (Generali Spain, Sociedad de Seguros y Reaseguros). The present value of future premiums is covered by an internal fund.
- Health insurance guaranteed to pre-retired staff under the Group's Collective Agreement. The present value of future premiums is covered by an internal fund.
- Seniority award guaranteed to active staff under the Group's Collective Agreement, covered by an internal fund.

Santander Consumer Renting, S.L.

- Commitments to pre-retired staff up to the effective date of their retirement, covered by internal funds.
- Life insurance guaranteed to pre-retired staff, under the Group's Collective Agreement, signed with an unrelated entity (Generali Spain, Sociedad de Seguros y Reaseguros). The present value of future premiums is covered by internal fund.
- Health insurance guaranteed to pre-retired staff under the Group's Collective Agreement. The present value of future premiums is covered by internal fund.

Transolver Finance, E.F.C.

- Commitments to pre-retired staff up to the effective date of their retirement, covered by internal funds.
- Life insurance guaranteed to pre-retired staff, under the Group's Collective Agreement, signed with an unrelated entity (Generali Spain, Sociedad de Seguros y Reaseguros). The present value of future premiums is covered by internal fund.
- Health insurance guaranteed to pre-retired staff under the Group's Collective Agreement. The present value of future premiums is covered by internal fund.

– Commitments to pre-retired staff up to the effective date of retirement, covered by an internal fund.

The present value of the above-mentioned obligations as at 31 December 2023 and 2022 is shown below:

	Thousands of Euros	
	2023	2022
Present value of the obligations:		
To pre-retirees	19,574	20,921
Long-service	144	145
Provisions - Pensions and similar obligations for	19,718	21,066

The present value of liabilities has been determined by independent qualified actuaries, who have applied the following criteria to quantify them:

Method of calculation: "Of the projected unit of credit".

Actuarial assumptions used: Unbalanced and mutually compatible. Specifically, the most significant actuarial assumptions they considered in their calculations were:

	2023	2022
Annual discount rate	3.35 %	3.70 %
Mortality tables	PERM/F-2020	PERM/F-2020
Cumulative annual CPI growth	2 %	2 %
Annual salary increase rate	N/A.	N/A.
Annual social security pension increase rate	2 %	2 %

(*) Maximum quotation base growth 2024: 5% / 3% according to exit agreement; rest of years CPI + 1.2% / 3%

The interest rate used to update flows has been determined by reference to high-quality corporate bonds.

The estimated retirement age of each employee is the first to which he or she is entitled to retire or the agreed age, if any.

The amounts recognized in the consolidated profit and loss account for the years 2023 and 2022 in respect of these long-term commitments are shown below:

	Thousands of Euros	
	2023	2022
	Expenses /(income)	
Current service cost (Note 39)	8	26
Net interest cost (Note 31)	663	472
Expected return on insurance contracts linked to pensions	—	—
Extraordinary charges	—	—
Actuarial (gains)/losses recognised in the year	(181)	(1,370)
Past service cost	490	45
Pre-retirement cost	5,298	—
Curtailments/settlements	—	—
Amount recognised in the year	6,278	(827)

The movement that has occurred, during the years 2023 and 2022, in the present value of the obligation accrued for other long-term remuneration in the Spanish entities of the Group has been as follows:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	21.066	31.657
Current service cost (Note 39)	8	26
Interest cost (Note 31)	663	472
Pre-retirement cost	5.298	—
Effect of curtailments/settlements	(79)	—
Benefits paid	(7.626)	(9.712)
Past service cost	239	45
Actuarial (gains)/losses recognised in the year	151	(1,370)
Other	(2)	(52)
Present value of the obligations at end of year	19.718	21.066

The following table shows the estimated benefits payable as of December 31, 2023 for the next ten years:

	Thousands of euros
2024	9.194
2025	8.313
2026	6.146
2027	4.402
2028	4.212
2029-2033	8.194

iv. Post-employment remuneration - Other foreign dependent entities

Some of the consolidated foreign entities have commitments with their staff similar to post-employment pay and other long-term defined benefit pay. The technical bases applied by these entities (interest rates, mortality tables, and cumulative annual CPI) in their actuarial estimates of these commitments are consistent with the economic and social conditions in the countries in which they are based.

The present value of these commitments as of December 31, 2023 and 2022, net of the assets that meet the requirements established in the applicable regulations to be considered as assets of the plan, is presented below:

	Thousands of Euros	
	2023	2022
Present value of obligations:	494,122	502,741
Of which:		
Germany	*420,481*	*404,410*
Nordics (Scandinavia)	24,601	27,576
Less-		
Plan assets	(53,614)	(111,764)
Provisions - Pensions and Other Defined Post-Employment Benefit Obligations (Note [illegible])	440,508	390,977
Of which:		
Internal Pension Funds	*446,198*	*406,972*
Net assets of the Plan	(5,690)	(15,995)

The main categories of plan assets as a total percentage of plan assets of foreign entities are as follows:

	2023	2022
Equity instruments	16 %	9 %
Debt instruments	27 %	47 %
Investment property	13 %	18 %
Other	43 %	26 %

The most significant actuarial assumptions, used by Group companies based in Germany in estimating the value of their commitments, are detailed below:

	2023	2022
Annual technical interest rate	3.57 %	4.21 %
Mortality tables	Heubeck RT 2018	Heubeck RT 2018
Annual cumulative I.P.C.	1.90 %	1.90 %
Annual growth rate of LOS	2.75 %	2.75 %
Annual rate of revision of Social Security pensions	2.00 %	2.00 %
Estimated retirement age	60/63(M/F)	60/63(M/F)

The interest rate used to update flows has been determined by reference to high-quality corporate bonds.

The amounts recognized in the consolidated profit and loss account in respect of these defined benefit pension commitments held by foreign entities in Germany during the financial years 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	2022
	Expenses / (income)	
Current service cost (Note 39)	5.356	9.486
Net interest cost (Note 31)	15.608	8.271
Extraordinary charges	—	—
Actuarial gains or losses recognised	—	(2.530)
Past service cost	—	—
Early retirements	—	—
Effect of curtailments/settlements	(450)	(134)
Expected return on plan assets (Note 31)	—	(417)
Other interests	—	—
Amount recognised in the year	**20.514**	**14.676**

The movement in the present value of the obligation accrued for defined performance commitments of foreign entities in Germany during the years 2023 and 2022:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	404.410	583.341
Net inclusion/(exclusion) of entities in/(from) the Group	(25.198)	—
Current service cost (Note 39)	5.356	9.486
Interest cost	15.608	7.854
Effect of curtailments/settlements	(450)	(134)
Benefits paid	(13.268)	(13.720)
Actuarial (gains)/losses (*)	34.104	(182.821)
Exchange differences, transfers and other items	(81)	404
Present value of the obligations at end of year	**420.481**	**404.410**

(*) In 2023 it includes demographic losses amounting to 2,209 thousand euros (demographic losses amounting to 15,024 thousand euros in 2022) and actuarial financial losses of 31,895 thousand euros (actuarial financial gains of 197,845 thousand euros in 2022).

The movement in the fair value of the plan assets associated with these defined benefit commitments of foreign entities dependent on Germany during the financial years 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Fair value of plan assets at beginning of year	20,965	30,057
Expected return on plan assets	(20,965)	417
Actuarial gains/(losses) arising in the year	—	(9,199)
Contributions	—	786
Benefits paid	—	(1,096)
Fair value of plan assets at end of year	**—**	**20,965**

The following table shows the estimated benefits payable as of December 31, 2023 for the next ten years:

	Thousands of
2024	14.751
2025	15.975
2026	17.291
2027	18.853
2028	19.810
2029-2033	113.195

The amounts recognized in the consolidated profit and loss account in respect of these defined benefit pension commitments held by the Group's foreign entities, excluding Germany, during the years 2023 and 2022 are shown below:

	Thousands of Euros	
	2023	2022
	Expenses / (income)	
Current service cost (Note 39)	1,945	3,426
Net interest cost (*)	1,562	2,357
Extraordinary endowments		
Actuarial Gains/losses during period	(43)	(2,274)
Past service cost	97	—
Effect of curtailments/settlements	(86)	(325)
Expected return on plan assets (*)	(679)	(2,371)
Other interests	—	—
Amount 106ecognized in the year	2,796	813

(*) These items are recorded for their net amount (883 thousand euros in 2023 and 15 thousand euros in 2022) under the heading "Interest expenses" of the consolidated profit and loss accounts for those years (see Note 31).

The movement during the years 2023 and 2022 in the present value of the obligation accrued for defined performance commitments of foreign companies excluding Germany, as well as in the assets of the plan, has been as follows:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	98,330	151,034
Net inclusion/(exclusion) of entities in/(from) the Group	(23,810)	—
Current service cost (Note 39)	1,945	3,426
Interest cost	1,562	2,357
Pre-retirements	(86)	—
Effect of curtailments/settlements	—	(325)
Benefits paid	(2,911)	(5,111)
Benefits paid in case of liquidation	(471)	(2,040)
Past service cost	—	—
Actuarial (gains)/losses (*)	(4,162)	(48,281)
Exchange differences, transfers and other items	3,245	(2,730)
Present value of the obligations at end of year	73,642	98,330

(*) In 2023 it includes demographic actuarial earnings of 1,477 thousand euros (demographic actuarial earnings of 5,665 thousand euros in 2022) and financial actuarial earnings of 5,665 thousand euros (financial actuarial earnings of 42,616 thousand euros in 2022).

The movement in the fair value of the plan assets associated with these defined performance commitments of foreign entities not including Germany during the financial years 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Fair value of plan assets at beginning of year	90.799	138.679
Net additions / (disposals) of Group's companies	(36.572)	—
Expected return on plan assets	679	2.371
Actuarial gains/(losses) arising in the year	(3.526)	(43.372)
Contributions	1.687	2.383
Benefits paid	(1.590)	(4.045)
Exchange differences and other items	2.137	(5.217)
Fair value of plan assets at end of year	53.614	90.799

The following table shows the estimated benefits payable as of December 31, 2023 for the next ten years:

	Thousands of euros
2024	2,710
2025	2,282
2026	2,385
2027	3,546
2028	9,856
2029-2033	20,615

In addition, some foreign entities have defined contribution plans (mainly Santander Consumer Bank, S.p.A., Santander Consumer Bank AS, Santander Consumer Bank, AG, Compagnie Generale de Credit Aux Par). The contributions made to these plans in the years 2023 and 2022 amounted to 38,553 and 37,868 thousand euros respectively, which are recorded under the heading "Administration expenses - personnel costs" of the consolidated profit and loss account for both years (see Note 38).

In addition, during the financial year 2023, the heading "Other cumulative overall income – items not to be reclassified into profit or loss – actuarial gains or losses in defined benefit pension plans" has recorded a net charge change of 22,316 thousand euros in respect of benefit commitments defined for the Group's foreign companies (net payment of 119,532 thousand euros in 2022).

v. Sensitivity analysis

Changes in the main assumptions used in the valuation may affect the calculation of commitments. As of December 31, 2023, if the discount interest rate had been decreased or increased by 50 p.b., there would have been an increase or decrease in the present value of post-employment obligations of +6.81% and -7.64%, respectively.

vi. Status of the pension fund for the current and four preceding years

The position of the defined benefit commitments for the financial year 2023 and the four preceding financial years, at the end of each financial year, is shown below:

1. Spanish entities

	Thousands of Euros									
	Post-employment remuneration					Other long-term remuneration				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
Present value of the obligation:										
To current employees	—	—	—	—	—	—	—	—	—	—
Vested obligations to retired employees	20,535	21,006	27,512	25,023	25,601	19,574	20,921	31,527	—	—
To pre-retirees	—	—	—	—	—	—	—	—	31,527	33,766
Long-service bonuses and other obligations	—	—	—	—	—	144	145	130	130	141
Other	—	—	—	—	113	—	—	—	—	—
Fair value of plan assets	5,436	5,424	6,341	—	—	—	—	—	—	—
Provisions for pensions	15,099	15,582	21,171	25,023	25,714	19,718	21,066	31,657	31,657	33,907
Of which:										
Internal pension funds	16,411	16,997	22,360	—	—	19,718	21,066	—	—	—
Net pension assets	(1,312)	(1,415)	(1,188)	—	—	—	—	—	—	—

2. Foreign entities

	Thousands of Euros				
	2023	2022	2021	2020	2019
Present value of obligations less-	494,122	502,741	734,375	725,050	687,925
Fair value of plan assets	(53,614)	(111,764)	(168,735)	(98,721)	(95,192)
Provisions – Pension funds	440,508	390,977	565,640	626,329	592,733
Of which:					
Internal pension funds	446,198	406,972	588,520	—	—
Net pension assets	(5,690)	(15,995)	(22,880)	—	—

b) Other provisions

The balance under the headings “Procedural issues and pending tax disputes” and “Remaining provisions” in the chapter “Provisions”, which, inter alia, include those relating to restructuring provisions and tax and legal disputes, have been estimated using prudent calculation procedures consistent with the uncertainty conditions inherent in the obligations they cover, determining the final time of the departure of resources that incorporate economic benefits for the Group for each of the obligations in some cases without a fixed cancelation period, and in other cases, depending on the ongoing disputes.

The balance of these headings by geographical area is broken down as follows:

	Thousands of euros	
	2023	2022
Recognised in Spanish companies	66,015	55,779
Recognised in other foreign companies	96,998	81,212
	163,013	136,991

The following is the breakdown of the balance as at 31 December 2023 and 2022 under the headings “Provisions for taxes and other legal contingencies” and “Remaining provisions” for each type of provision. The types of provisions have been determined by grouping those items of a similar nature:

	Thousands of euros	
	2023	2022
Tax provisions	20,505	7,862
Provision for other legal processes	16,560	2,227
Provision for operational risks	49,559	65,107
Provision for restructuring	32,038	18,097
Other	44,351	43,698
	163,013	136,991

Likewise, below, relevant information is broken down for each of the types of provision shown in the previous table:

- Tax provisions include provisions for processes of a tax nature.

- The provisions for other legal proceedings include provisions for judicial, arbitral or administrative proceedings (other than those included in other categories or types of provision separately broken down) initiated against the companies of the Santander Consumer Finance Group.

As of December 31, 2023, the main legal processes affecting the Group are as follows:

Mortgage Portfolio in Swiss Francs (CHF) in Poland: on 3 October 2019, the Court of Justice of the European Union (CJEU) decided a preliminary ruling in connection with a legal proceeding brought against a bank not affiliated with the Santander Group, declaring certain clauses in the loan contracts indexed to CHF to be unfair. The CJEU has left to the Polish courts the decision on whether the contract can survive without the unfair clause, for which they must in turn decide whether the effects of the cancelation of the contract are harmful to the consumer. In the event of the continuation of the contract, the court may only integrate it with supplementary provisions of national law and decide, in accordance with them, the applicable rate.

In 2021, the Supreme Court was expected to take a position on key issues in foreign-currency-based loan disputes, clarifying discrepancies and unifying jurisprudence. The Supreme Court met several times, with the last sitting taking place on 2 September 2021. However, the Supreme Court did not resolve the issue and instead submitted to the CJEU preliminary questions on certain constitutional aspects of the Polish judicial system. No new hearing has been scheduled and a full Supreme Court ruling on this matter is not expected in the short term. In the absence of a ruling by the Supreme Court, it is difficult to expect a full unification of the decisions issued by the courts, so it will be the decisions of the Supreme Court and the CJEU on individual issues, which will shape the jurisprudence on this matter, although the case law of the Polish courts has not yet been consolidated, the majority trend is toward the declaration of nullity of loan contracts.

On 15 June 2023, the CJEU delivered its judgment in Case C-520/21 in which it confirmed that, in order to determine the effects of the declaration of invalidity of a contract, national law must be applied in the light of the principles derived from Directive 93/13/EEC. Likewise, the CJEU ruled that, in the event of termination of a loan contract for the cancelation of an unfair clause, claims by the bank that exceed the repayment of the nominal amount of the principal of the loan and, where appropriate, the payment of interest on late payment, they are contrary to the objectives of Directive 93/13/EEC as they would make it possible to obtain a benefit similar to that intended to be obtained from the normal performance of the contract and thus eliminate the deterrent effect.

At the same time, the CJEU ruled that, in accordance with European law, there is no objection to the consumer being able to claim compensation from the bank in excess of the refund of the fees paid, although, stipulated that such a claim must be assessed in the light of all the circumstances of the case, so that the possible benefits of the consumer arising from the nullity of the contract do not exceed what is necessary to restore the factual and legal situation in which he would have found himself if the defective contract had not been concluded, and do not constitute an excessive sanction for the professional (principle of proportionality).

On 17 February and 15 June 2023, the Polish Financial Supervision Authority (KNF) disagreed with the Advocate General's findings prior to the judgment of the CJEU of 15 June 2023 and subsequently also in relation to the judgment in question, stating that it is contrary to the principles of proportionality and balance between the protection of securities protected by Directive 93/13 and higher values such as the stability and security of the financial system.

The case law of national courts in application of the CJEU rulings (including the judgment of 15 June 2023) and the potential position of the Supreme Court will be crucial for the final assessment of the legal risk associated with this case.

As of the date of these consolidated annual accounts, it is not possible to predict the decisions to be taken by the Supreme Court and the CJEU in the individual cases raised. Santander Consumer Bank S.A. (Poland) estimates the legal risk using a model that considers different possible outcomes and regularly reviews judgments on this matter in order to verify changes in jurisprudence.

As of December 31, 2023, Santander Consumer Bank S.A. (Poland) presents a portfolio of mortgages denominated in or indexed to CHF for an amount of approximately PLN 1,521 million (EUR 350 million). On the same date, there is a provision of PLN 991 million (EUR 228 million) to cover the mortgage portfolio in CHF.

As of December 31, 2022, Santander Consumer Bank S.A. presented a portfolio of mortgages denominated in or indexed to CHF for an amount of approximately PLN 1,891 million (EUR 404 million). On the same date, there is a provision of PLN 745 million (EUR 159 million) to cover the mortgage portfolio in CHF.

The Group integrates its participation in Santander Consumer Bank, S.A (Poland) by the method of putting in equivalence, with its percentage of participation in it as of December 31, 2023 and 2022 being 40%.

In addition, provisions for other operational risks mainly include provisions for the risks arising from the business operations of the Group companies, corresponding to the most significant amounts as of December 31, 2023 to those registered with Santander Consumer S.A. for an amount of 30,604 thousand euros (27,107 thousand euros as of December 31, 2022), Santander Consumer Bank GmbH (Austria) for an amount of 5,958 thousand euros (1,023 thousand euros as of December 31, 2022), Santander Consumer Bank, A.G. (Germany) for an amount of 8,080 thousand euros (12,367 thousand euros as of December 31, 2022). Santander Consumer Bank A.S. (Norway) presented an amount of 14,400 thousand euros as of December 31, 2022.

The provisions for restructuring include only expenses arising from restructuring processes carried out by the various entities of the Group. During 2020, 2021 and 2023 the Group has carried out different restructuring processes in some companies to adapt the business to current market conditions in these geographies. In these cases, the Group companies offer their employees the possibility of ceasing through offers of early retirement and incentive discounts. As at 31 December 2023, the outstanding balance for this item is mainly held by Santander Consumer Bank S.P.A. (Italy), amounting to 9,371 thousand euros; Stellantis Italia, amounting to 6,075 thousand euros, Santander Consumer Bank, A.G (Germany), amounting to 9,600 thousand euros (15,678 thousand euros as of 31 December 2022), and Compagnie Generale de Credit Aux particuliers - Credipar S.A. (France), amounting to 1,745 thousand euros (1,898 thousand euros as of 31 December 2022).

The Group's general policy is to record provisions for tax and legal processes in which the risk of loss is assessed as likely and no provisions are recorded when the risk of loss is possible or remote. The amounts to be provisioned are calculated on the basis of the best estimate of the amount required to settle the relevant claim, based, inter alia, on in an individualized analysis of the facts and legal opinions of internal and external advisers or taking into account the historical average figure of losses arising from claims of this nature. The final date of the departure of resources incorporating economic benefits for the Group depends on each of the obligations. In some cases, obligations do not have a fixed settlement period and in other cases depend on ongoing legal processes.

22. Tax matters

a) *Current tax receivables and payables*

The balance under the heading "Tax assets – Current tax assets" of the consolidated balance sheets as of December 31, 2023 and 2022 includes, basically, payments on account of the income tax made by the consolidated entities to the Public Administrations of the countries where they reside. The balance under the heading "Tax liabilities – current tax liabilities" in that consolidated balance includes the liability for the different taxes that are applicable to the Group.

b) *Reconciliation of the accounting profit to the income tax expense recognised in the consolidated income statement*

The reconciliation between the consolidated accounting income and the profit tax expense in the corresponding consolidated profit and loss account for the financial years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
	Continued operations	Continued operations
Consolidated income before tax	1.800.746	2.207.893
Accounting result by Corporate Tax Rate (*)	540,224	662,368
Differences, permanent adjustments (**)	(60.628)	(56.098)
Consolidated Corporate Tax Expenditure	479.596	606.270
Effective tax rate	26.63%	27.46%

(*) Calculated by applying the nominal rate applicable to the Bank (30%)

(**) Includes the net tax effect of permanent differences in consolidated entities as well as differences arising from the existence of different tax rates in the countries in which the Group operates, the effects derived from consolidation, tax adjustments from previous years, and the effect of considering existing exemptions, deductions, bonuses according to the corresponding tax jurisdictions where the Group companies operate.

c) *Years open for review by the Tax Authorities*

The Bank is part of the Tax Group whose head is Banco Santander, S.A.According to current legislation, taxes cannot be considered definitively settled until the tax returns submitted have been inspected by the tax authorities or the limitation period of four years has elapsed.

With respect to the party signed in disagreement both for these years and for the previous years (corporate tax for the years 2003 to 2015), Banco Santander, S.A., as the dominant entity of the Consolidated Tax Group, considers, in accordance with the advice of its external lawyers, that the regularizations carried out should not have a significant impact on the consolidated annual accounts, since there are solid arguments of defense in the appeals filed against them before the National High Court (financial years 2003 to 2011) and before the Central Administrative Economic Court (financial years 2012 to 2015), as well as in relation to the minutes that are still pending review by the Tax Administration (financial years 2017-2019). Consequently, no provision has been made for this concept. Moreover, it should be noted that, in those cases where it has been considered appropriate, the mechanisms empowered to avoid international double taxation have been used.

At the date of formulation of these consolidated annual accounts, subsequent years up to 2023, including, are subject to review.

The rest of the entities are subject to inspection for the corresponding years in accordance with the tax rules that apply to them in each country.

The individual annual accounts of the companies consolidated in the Group include other relevant information on tax aspects affecting these companies.

Due to the possible different interpretations that may be given to tax rules, the results of tax inspections by the tax authorities for the remaining years subject to verification may give rise to contingent tax liabilities the amount of which cannot be quantified objectively. However, in the opinion of the Group's tax advisors, the possibility of such tax liabilities materializing is remote and, in any event, the tax debt arising therefrom would not significantly affect the Group's consolidated annual accounts.

f) Deferred taxes

The detail of deferred taxes as of December 31, 2023 and 2022 is as follows:

	Thousands of Euros					
	2023			2022		
	Monetisable	Other	Total	Monetisable	Other	Total
Tax assets (*)	241,866	433,728	675,594	263,740	294,794	558,534
Tax losses and tax credits	—	9,898	9,898	—	8,569	8,569
Temporary differences	241,866	423,830	665,696	263,740	286,225	549,965
Of which:						
Non-deductible provisions	—	*45,798*	*45,798*	—	*48,333*	*48,333*
Valuation of financial instruments	—	*85,224*	*85,224*	—	*23,419*	*23,419*
Credit losses	*195,194*	*32,312*	*227,506*	*217,068*	*20,054*	*237,122*
Pensions	*34,655*	*99,918*	*134,573*	*34,655*	*107,431*	*142,086*
Valuation of tangible and intangible assets	*12,017*	*82,352*	*94,369*	*12,017*	*75,435*	*87,452*
Tax liabilities	—	1,626,479	1,626,479	—	1,283,474	1,283,474
Temporary differences	—	1,626,479	1,626,479	—	1,283,474	1,283,474
Of which:						
Valuation of financial instruments	—	*224,589*	*224,589*	—	*181,899*	*181,899*
Valuation of tangible and intangible assets	—	*876,815*	*876,815*	—	*690,442*	*690,442*
Gains on disposal of investments	—	—	—	—	—	—
Valuation of Group investments	—	*140,752*	*140,752*	—	*134,495*	*134,495*

(*) as at 31 December 2023 and 2022, 148 million euros in both years are considered monetizable tax assets corresponding to Spanish companies and 93 million euros and 136 million euros is considered monetizable tax assets corresponding to an Italian entity as of december 31, 2023 and 2022, respectively.

The movement in the balance of deferred tax assets and liabilities over the past two years is as follows:

	Balance as at 31-12-2022	(debit)/ credit to the income statement	Conversion differences on foreign currency balances and other items	(debit) / credit to asset and liability valuation reserve	Acquisitions (net) for the year	Balance as at 31-12-23
Active deferred taxes	558,534	185,619	8,381	11,110	(88,050)	675,594
BIN's and deductions	8,569	1,338	(9)	—	—	9,898
Temporary differences	549,965	184,281	8,390	11,110	(88,050)	665,696
of which monetizable	*263,740*	*(22,481)*	—	*608*	—	*241,867*
Passive deferred taxes	(1,283,474)	(386,562)	4,398	2,318	36,841	(1,626,479)
Temporary differences	(1,283,474)	(386,562)	4,398	2,318	36,841	(1,626,479)
Total	(724,940)	(200,943)	12,779	13,428	(51,209)	(950,885)

	Balance as at 31-12-2021	(debit)/ credit to the income statement	Conversion differences on foreign currency balances and	(debit) / credit to asset and liability valuation reserve	Acquisitions (net) for the year	Balance as at 31-12-22
Active deferred taxes	587,912	(24,177)	(1,439)	(3,762)	—	558,534
BIN's and deductions	5,546	2,872	151	—	—	8,569
Temporary differences	582,366	(27,049)	(1,590)	(3,762)	—	549,965
of which monetizable	*283,871*	*(20.131)*	—	—	—	*263,740*
Passive deferred taxes	(1,072,514)	(167,717)	18,685	(61,928)	—	(1,283,474)
Temporary differences	(1,072,514)	(167,717)	18,685	(61,928)	—	(1,283,474)
Total	(484,602)	(191,894)	17,246	(65,690)	—	(724,940)

The balance under the heading "Tax assets – deferred tax assets" of the consolidated balance sheets includes the debtor balances against the Public Treasury corresponding to taxes on anticipated profits; in turn, the balance under the heading "Tax liabilities" in these consolidated balance sheets includes the liability for the different deferred taxes of the Group.

On June 26, 2013, the Basel III legal framework was incorporated into European law through Directive 2013/36 (CRD IV) and Regulation 575/2013 on prudential requirements for credit institutions and investment firms (CRR) which are directly applicable in Member states from 1 January 2014, while establishing a gradual timetable for the implementation and implementation of the various requirements.

This regulation states that deferred tax assets that depend on their use for future profits must be deducted from regulatory capital.

In this regard, in recent years various countries under the umbrella of Basel III, they have modified their tax regimes with respect to certain deferred tax assets so that they could continue to count as regulatory capital since their use does not depend on the future profits of the entities that generate them (hereinafter referred to as monetizable tax assets). Thus, Italy has a regime in this regard introduced by Decree Legge No. 225 of 29 December 2010 as amended by Legge No. 10 of 26 February 2011.

Likewise, during 2013 in Spain, through Royal Decree-Law 14/2013, of November 29, and confirmed by Law 27/2014 of November 27, a tax regime was established by which certain assets for deferred taxes -derived from endowments of insolvencies provisions, endowments of provisions for awarded goods, commitments for pensions and early retirement, may be converted, under certain circumstances, into credits against the Public Treasury, not depending on their use of the future profits of the entities and being, therefore, exempt from their deduction from regulatory capital.

During 2015 Spain completed its regulation on monetizable tax assets by introducing a wealth benefit that will involve the payment of an annual amount of 1.5% for maintaining the right to monetization and will be applied on part of the deferred tax assets that meet the requirements legal requirements to be considered monetizable generated before 2016.

Similarly, Italy, by decree of 3 May 2016, has introduced a 1.5% annual fee to maintain monetization of part of deferred tax assets.

The Group only recognizes deferred tax assets arising from temporary differences or negative tax bases and deductions pending compensation when it considers it likely that the consolidated entities that generated them will have sufficient tax gains against which they can be paid in the future.

Deferred taxes, both assets and liabilities, are reviewed at the time of the accounting closure in order to check whether modifications are necessary in accordance with the results of the analyzes carried out.

These analyzes take into account, among others, (i) the results generated by the different entities in previous years, (ii) the projections of results of each fiscal entity or group, (iii) the estimation of the reversal of the different temporary differences according to their nature and (iv) the period and limits established in the legislation of each country for the recovery of the different deferred tax assets, concluding in this way on the ability of each entity or tax group to recover its assets for registered deferred taxes.

The results projections used in this analysis are based on the financial budgets approved by both the local directorates of the respective units and the Group managers. The Group's budget estimation process is common for all units. The Group management draws up its financial budgets based on the following key assumptions:

a) Microeconomic variables of the entities that make up the tax group in each location: it takes into account the existing balance sheet structure, the mix of products offered and the commercial strategy at all times defined by the local directorates in this sense based on the competition, regulatory and market environment.

b) Macroeconomic variables: The estimated growth is based on the evolution of the economic environment considering the expected evolutions in the gross domestic product of each location and the forecasts of behavior of interest rates, inflation and exchange rates. Such data is provided by the Group's Research Service, which is based on external information sources.

In addition, the Group performs retrospective contrasts (back testing) on the variables projected in the past. The differential behavior of these variables with respect to the actual market data is considered in the estimated projections in each year. Thus, in relation to Spain, the deviations identified by the management in recent past years are due to non-recurrent events and outside the operation of the business, such as the impacts for the first application of new applicable regulations, the costs incurred for accelerating restructuring plans and the changing effect of the current macroeconomic environment.

Finally, and given the degree of uncertainty of these assumptions, the Group carries out a sensitivity analysis of the most significant ones considered in the analysis of the recoverability of deferred tax assets, considering reasonable changes in the key assumptions on which the income projections of each fiscal entity or group and the estimate of the reversal of the different temporary differences are based. In relation to Spain, the sensitivity analysis consisted of adjusting growth (gross domestic product) by 50 basis points and adjusting inflation by 50 basis points.

Regardless of the income tax on the consolidated profit and loss accounts, in the years 2023 and 2022, the Group has applied the following amounts to its consolidated net worth for the following:

	Thousands of Euros	
	Credits (Charges) to Consolidated	
	2023	2022
Actuarial gains and losses on pension plans	(9,951)	12,289
Coverage of cash flows	(15,846)	5,036
Debt instruments measured at fair value through other	(523)	677
Others	2,994	(2,910)
Total	(23,326)	15,092

23. Registered share capital and equity instruments other than capital

a) Paid-up capital

As of December 31, 2023 and 2022, the Bank's capital stock consisted of 1,879,546,172 registered shares, each with a par fair value of 3 euros, fully subscribed and paid up, with identical political and economic rights.

On December 20, 2019, Holneth, B.V. sold the registered shares held over the Bank, of which 469,886,523 registered shares were acquired by Banco Santander, S.A. And 20 by Cantabro Catalana de Inversiones, S.A.. Thus, as of December 31, 2023 and 2022 Banco Santander, S.A owned 1,879,546,152 shares and Cantabrian Catalana de Inversiones, S.A. 20 shares.

b) Non-capital equity instruments

At the meeting held on 3 December 2020, the Shareholders agreed to issue preferred participations, contingently convertible into newly issued ordinary shares (henceforth "PPCC"), for a nominal amount of EUR 150,000 thousand. The payment of PPCC is subject to certain conditions, especially the availability of sufficient funds, and which is also discretionary, was set at 5% annual for the first five years, revised thereafter by applying a yearly margin of 5.551% over the 5-year Mid-Swap Rate.

On 14 December 2018, the Annual General Meeting of the Bank approved an issuance of contingently convertible preferred shares in ordinary shares of the newly issued Bank (the "PPCC") for a nominal amount of EUR 200,000 thousand. The remuneration of the PPCCs, whose payment is subject to compliance with certain conditions for their distribution linked mainly to the availability of the necessary funds, as well as the decision by the Bank, was fixed at an annual 8.25% for the first five years, being revised thereafter applying a margin of 8.22% per year plus the Mid-Swap rate to five years (5 year Mid-Swap Rate).

On 6 February 2019, the European Central Bank approved the computability of these PPCCs as Tier 1 capital (additional tier 1) under the new European regulations on own resources of the European Regulation 575/2013. The PPCCs are perpetual, although they can be amortized early if the Bank or its consolidated group presents a ratio of less than 5.125% of ordinary capital (common equity Tier 1 ratio) calculated according to the applicable regulations. In this case and subject to compliance with certain requirements, the shares would be converted into ordinary shares of new issue of Santander Consumer Finance, S.A. in accordance with the value established in the brochure of issuance of the shares. In addition, these shares may be redeemed by the Bank's decision only when there is a change in the rules for calculating regulatory capital or the tax framework applicable to preferred shares, and with the prior approval of the European Central Bank.

On 14 December 2017, the Annual General Meeting of the Bank approved an issuance of contingently convertible preferred shares in ordinary shares of the newly issued Bank (the "PPCC") for a nominal amount of EUR 850,000 thousand. The remuneration of the PPCCs, whose payment is subject to compliance with certain conditions for their distribution linked mainly to the availability of the necessary funds, as well as the decision by the Bank, was fixed at an annual 5.75% for the first five years, being revised thereafter applying a margin of 5.545% per year plus the Mid-Swap rate to five years (5 year Mid-Swap Rate).

On 7 February 2018, the European Central Bank has approved the computability of these PPCCs as Tier 1 capital (additional tier 1) under the new European regulations on own resources of the European Regulation 575/2013. The PPCCs are perpetual, although they can be amortized early if the Bank or its consolidated group presents a ratio of less than 5.125% of ordinary capital (common equity Tier 1 ratio) calculated according to the applicable regulations. In this case and subject to compliance with certain requirements, the shares would be converted into ordinary shares of new issue of Santander Consumer Finance, S.A. in accordance with the value established in the brochure of issuance of the shares. In addition, these shares may be redeemed by the Bank's decision only when there is a change in the rules for calculating regulatory capital or the tax framework applicable to preferred shares, and with the prior approval of the European Central Bank. PPCCs are traded on the Frankfurt Stock Exchange. All of the preferred shares have been fully subscribed by Banco Santander, S.A. as of 31 December 2018 and 2017.

The accrued income on the shares issued, as at 31 December 2023 and 31 December 2022, amounted to EUR 419,478 thousand and EUR 325,375 thousand euros respectively, and was recognised under "Retained Earnings" having accrued EUR 72,875 thousand and EUR 72,873 thousand in the years 2022 and 2021, respectively.

24. Share premium

The balance under this heading of the accompanying consolidated balance sheets as of December 31, 2023 and 2022 includes the amount disbursed by the Bank's shareholders in capital issues made above the nominal. The recast text of the Capital Companies Act expressly allows the use of the issue premium balance to expand the share capital of the entities in which it is registered and does not establish any specific restriction as to its availability.

25. Retained earnings and other reserves

The balance of “Shareholders' Equity - Reserves - Retained Earnings” of the accompanying consolidated balance sheets includes the net amount of the accumulated income attributed to the Group recognized in prior years through the consolidated profit and loss account which, in the distribution of profit, they were used for consolidated net worth, as well as, where appropriate, the costs of issuing own equity instruments and the differences between the amount for which own securities are sold and their acquisition price, in the event of such operations and distributions of profits to Bank shareholders made from reserves.

The balance under the heading “Own funds – Other reserves – Reserves or accumulated losses on investments in joint and associated ventures” in the accompanying consolidated balance sheets, includes the net amount of accumulated results in previous years, generated by entities valued by the equity method and corresponding to the Group, recognized through the consolidated profit and loss account, which have not been distributed.

The composition of the balance under both headings of the consolidated balance sheets, as at 31 December 2023 and 2022, is as follows:

	Thousands of Euros	
	2023	2022
Retained earnings:		
Legal reserve of the Bank	804,803	716,069
Unrestricted, voluntary and other reserves	536.899	575,350
Consolidation reserves attributable to the Bank	(194.085)	166,373
Reserves of subsidiaries	2.501.779	2,171,545
	3,649,396	**3,629,337**
Other reserves		
Others	(519.446)	(419,035)
Reserves or accumulated losses from investments in:		
Joint ventures and associates	524.365	439,882
	4.919	**20.847**

Legal reserve

According to the consolidated text of the Capital Companies Act, Spanish entities that obtain profits in the financial year must provide 10% of the net profit for the financial year to the legal reserve. These endowments must be made until the reserve reaches 20% of the share capital. The legal reserve may be used to increase the share capital in the part of its balance that exceeds 10% of the share capital already increased. Except for this purpose, and as long as it does not exceed 20% of the share capital, this reserve may only be used for loss compensation, provided that there are no other reserves available sufficient for this purpose.

Reserves of subsidiaries

The breakdown by company of this balance, based on the contribution of the same to the Group (considering the effect of the consolidation adjustments), is as follows:

	Thousands of Euros	
	2023	2022
Santander Consumer Holding GmbH	(1.332.792)	(1.243.743)
Santander Consumer Bank S.p.A.	57.518	134.787
Auto ABS UK Loans Plc.	—	(65,982)
Stellantis Financial Services UK Limited	—	90.913
Santander Consumer Bank GmbH	281.488	213.468
Compagnie Generale de Credit Aux particuliers - Credipar S.A.	470.063	321.492
Stellantis Financial Services España, E.F.C., S.A.	42.647	37.253
Santander Consumer Finance OY	304.131	255.561
Santander Consumer Leasing GmbH	17.195	21.013
Santander Consumer Bank A.S.	1.411.970	1.391.900
Santander Consumer Bank AG	776.815	575.757
Banque Stellantis France	136.084	106.062
Financiera El Corte Inglés, E.F.C., S.A.	63.208	52.359
Stellantis Financial Services Italia S.p.A.	76.839	42.528
Stellantis Bank Deutschland GmbH	—	85.985
Santander Consumer Finance Inc.	104.965	—
Santander Consumer Finance Schweiz AG	29.793	23.941
Santander Consumer Technology Services GmbH	27.655	31.129
Other companies	34.200	97.124
	2.501.779	**2.171.547**

26. Other comprehensive income

The balances in the other comprehensive accumulated income chapter include the amounts, net of tax effect, of adjustments made to assets and liabilities recorded in equity through the statement of consolidated recognized income and expenses. The amounts from the dependent entities are presented, line by line, in the corresponding items according to their nature.

With respect to items that may be reclassified to profit or loss, the Statement of Recognized Consolidated Revenue and Expenditure includes variations in the Valuation Adjustments, as follows:

- Valuation gains (losses): This includes the amount of income, net of expenses incurred in the financial year, recognized directly in equity. The amounts recognized in equity for the year are maintained under this heading, although in the same period they are either transferred to the profit and loss account or to the initial value of assets or liabilities or reclassified to another item.

- Amounts transferred to the profit and loss account: This includes the amount of valuation gains (losses) previously recognized in equity, even in the same financial year, which are recognized in the profit and loss account.

- Amounts transferred to the initial value of hedged items: This includes the amount of valuation gains (losses) previously recognized in equity, even in the same financial year, recognized in the initial value of assets and liabilities as a result of cash flow hedges.

- Other reclassifications: Includes the amount of transfers made in the year between the different items of other cumulative overall income.

The amounts of these items are recorded in their gross amount and include the amount of other aggregate income accumulated for minority interest (non-controlling interests), with their corresponding tax effect shown in a separate item, except for those for entities valued by the equity method, that are presented net of the tax effect.

a) Breakdown of Other comprehensive income - Items that will not be reclassified in results and Items that can be classified in results

	Thousands of euros	
	31-12-2023	31-12-2022
Other comprehensive income	(678,242)	(582,107)
Items that will not be reclassified to profit or loss	(50,982)	(33,865)
Actuarial gains or losses on defined benefit pension plans	(61.399)	(41,487)
Assets included in disposal groups classified as held for sale	—	—
Other recognised income and expense in investments in joint ventures and associates	199	195
Changes in the fair value of equity instruments at fair value through other comprehensive income	10,218	7,427
Other valuation adjustments		—
Items that may be reclassified to profit or loss	(627,260)	(548,242)
Hedges of net investments in foreign operations (effective portion)	37,543	(46,397)
Currency translation differences	(634,720)	(495,612)
Derivatives – hedge accounting. Cash flow hedges (effective portion)	(2,512)	62,111
Changes in the fair value of debt instruments measured at fair value with changes in other comprehensive income	(60)	(1,149)
Hedging instruments (items not designated)	—	—
Assets included in disposal groups classified as held for sale	—	—
Share in other recognised income and expenses in investments in joint ventures and associates	(27,511)	(67,195)

b) Other cumulative comprehensive income - items that will not be reclassified into profit or loss - actuarial gains or (-) losses on defined benefit pension plans

The balance under the heading "Other cumulative comprehensive income-items not reclassified into profit or loss – actuarial gains or losses on defined benefit pension plans" includes actuarial gains and losses and the return on the plan's assets, less administration costs and plan taxes, and any change in the effects of the asset limit, excluding the amounts included in the net interest on the net liability (asset) for post-employment commitments of defined benefit of consolidated companies.

Its variation is shown in the statement of consolidated recognized income and expenses. The most significant changes during the 2023 financial year correspond mainly to the evolution experienced by the main actuarial assumptions of the entities dependent in Germany – actuarial losses due to a decrease in interest rates from 4.21% to 3.57% – , as well as mainly financial actuarial gains in Nordics (Scandinavia) – interest rate increase from 3.50% to 4.10% in Sweden - and actuarial losses in Spanish entities - interest rate decrease from 3.70% to 3.35% (in 2022, mainly, the following year: a The evolution of the main actuarial assumptions of the German dependent entities Actuarial gains from experience and interest rate increase from 1.45 per cent to 4.21 per cent, as well as actuarial earnings mainly financial in Nordics (Scandinavia) – interest rate increase from 2.00% to 3.50% in Sweden) and actuarial earnings in Spanish entities).

c) Elements that can be reclassified into results

c.1) Coverage of net investments in foreign business (effective portion)

The balance under the heading "Other cumulative comprehensive income – items that can be reclassified into profit or loss – coverage of net investments in foreign businesses (effective portion)" of the consolidated net worth includes the net amount in the variation in the derivatives contracted by the Group and designated as hedging instruments considered effective in hedging of this type. His movement during exercises 2023 and 2022, is as follows:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	46,397	100,443
Valuation gains/(losses)	(83,940)	(54,046)
Transferred to the income statement	—	—
Balance at end of period	(37,543)	46,397

c.2) Currency conversion

The balance under the heading reflects the amount of exchange differences originating in non-monetary items whose fair value is adjusted in return for equity and in those that occur when the balances of consolidated entities whose currency is different are converted into euros of the euro (see note 2-a).

c.3) Coverage derivatives. Cash flow hedges (effective portion)

The balance under this heading reflects the net amount of changes in the value of financial derivatives designated as cash flow hedge instruments, in the part of those changes considered as "effective hedging".

Its movement, during exercises 2023 and 2022, is presented as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	62,112	10,170
Valuation gains / (losses)	(70,512)	41,409
Amounts transferred to the profit and loss account	(14,946)	31,593
Taxes on profits	20,835	(21,060)
Balance at year-end (Note 29)	(2,511)	62,112

c.4) Changes in the fair value of debt instruments at fair value through other comprehensive income

The balance under this heading reflects the net amount of unrealized changes in fair value of financial assets classified as items that can be reclassified into profit or loss – changes in the fair value of debt instruments measured at fair value through other comprehensive income.

Its movement, without considering valuation adjustments attributed to minority interests, during the years 2023 and 2022, is presented as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	(1,149)	256
Valuation gains / (losses)	1,672	(1,797)
Amounts transferred to the consolidated profit and loss account	(60)	(285)
Taxes on profits	(523)	677
Balance at year-end	(60)	(1,149)

27. Non-controlling interests

This chapter of the accompanying consolidated balance sheets as of December 31, 2023 and 2022 includes the net amount of the net worth of dependent entities attributable to equity instruments not directly or indirectly belonging to the Group, including the share attributed to them of the consolidated income for the financial year.

The details, by company of the Group, of the balance of this chapter of the consolidated balance sheets as of December 31, 2023 and 2022 annexed, are presented below:

	Thousands of Euros	
	2023	2022
Banque Stellantis France	994,824	884,248
Hyundai Capital Bank Europe GmbH	458,998	352,332
Stellantis Financial Services Italia S.p.A.	343,743	196,277
Stellantis Financial Services España, E.F.C.,	235,886	340,674
Financiera El Corte Inglés, E.F.C., S.A.	131,346	136,517
Transolver Finance E.F.C., S.A.	36,459	34,813
TIMFin S.p.A.	30,343	22,233
MCE BANK GMBH	13,740	—
Suzuki Servicios Financieros, S.L.	6,671	5,668
Stellantis Renting Italia S.p.A.	6,443	3,581
Allane SE	(40,406)	(41,627)
Santander Consumer Bank AG	(12,890)	—
Stellantis Financial Services Nederland B.V.	(2,764)	(6,253)
Stellantis Financial Services Belux SA	(1,214)	(10,273)
Stellantis Bank Deutschland GmbH	—	276,059
STELLANTIS FINANCE UK LIMITED	—	1,847
Other companies	1,641	(34)
	2,202,820	2,196,062
Result of the exercise attributed to the		
Banque Stellantis France	173,470	180,290
Stellantis Financial Services España, E.F.C.,	40,559	24,200
Stellantis Financial Services Italia S.p.A.	27,256	30,922
Financiera El Corte Inglés, E.F.C., S.A.	20,020	28,639
Santander Consumer Bank AG	12,890	—
Stellantis Financial Services Belux SA	9,769	7,362
Hyundai Capital Bank Europe GmbH	9,696	8,108
Stellantis Renting Italia S.p.A.	8,590	5,706
Stellantis Financial Services Nederland B.V.	7,889	6,279
Allane SE	4,252	3,501
Transolver Finance EFC, S.A.	2,592	1,646
Suzuki Servicios Financieros, S.L.	543	1,003
TIMFin S.p.A.	5	(1,690)
MCE BANK GMBH	(186)	—
Stellantis Finance UK Limited	—	36,685
Stellantis Bank Deutschland GmbH	—	26,080
Other companies	(128)	32
	317,217	358,763
	2,520,037	2,554,825

The movement in the balance of this chapter of the consolidated balance sheets during the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	2,554,826	2,337,779
Dividends	(295.290)	(135.837)
Exchange and other differences (*)	(56.716)	(5.876)
Result of the exercise attributed to the minority	317,217	358,760
Balance at year-end	2.520.037	2.554.826

(*) The variation mainly corresponds to the exit of the perimeter of PSA Bank Deutschland GmbH (see note 3).

28. Memorandum items

The details of the balances recorded under the headings "Pro-Memoria" of the consolidated balance sheets as at 31 December 2023 and 2022 are as follows:

	Thousands of Euros	
	31/12/2023	31/12/2022
Loan commitments granted	24,299,144	25,756,041
Memorandum item: of which,	*26,138*	*56,500*
Financial guarantees granted	90,030	84,997
Memorandum item: of which,	—	—
Financial guarantees	90,030	84,997
Credit derivatives sold	—	—
Other commitments granted	1,253,547	1,211,006
Memorandum item: of which,	*1,716*	*2,604*
Technical guarantees	597,501	552,398
Other commitments	656,046	658,608

The breakdown as at 31 December 2023 of the exposures and the provisioning fund (see note 10) off-balance sheet by impairment stage under IFRS 9 is EUR 25,528,907 thousand and EUR 17,299 thousand in stage 1, 85,960 thousand euros and 1,270 thousand euros in stage 2 and 27,854 thousand euros and 2,489 thousand euros in stage 3, respectively as at 31 december 2023 (26,865,725 thousand euros and 21,000 thousand euros in stage 1,127,214 thousand euros and 1,570 thousand euros in stage 2 and 59,105 thousand euros and 5,440 thousand euros in stage 3, respectively as of december 31, 2022).

A significant part of these amounts will expire without any payment obligation for consolidated companies materializing, therefore, the combined balance of these commitments cannot be considered as a real future need for financing or liquidity to be granted to third parties by the Group.

The income earned from the guarantee instruments is recorded in the commission income chapter of the consolidated profit and loss accounts and is calculated by applying the rate established in the contract for which they cause on the nominal amount of the guarantee.

i. Loan commitments granted

Firm commitments to grant credit on pre-established terms and conditions, except those that meet the definition of derivatives by being able to be settled in cash or by the delivery or issuance of another financial instrument. They include those available on credit lines and future deposits.

ii. Financial guarantees granted

Includes financial collateral contracts such as financial collateral, credit derivatives sold, derivative risks contracted on behalf of third parties and others.

iii. Other commitments granted

They include all commitments that could result in the recognition of financial assets not included in the preceding headings, such as technical guarantees and those for the import and export of goods and services.

29. Derivatives – Hedge accounting

The Group, within its financial risk management strategy and in order to reduce asymmetries in the accounting treatment of its operations, contracts derivatives of hedges on interest risk, exchange rate or equity, depending on the nature of the risk covered.

Based on its objective, the Group classifies its coverages into the following categories:

- Cash flow hedges: These cover exposure to the change in cash flows associated with an asset, liability or a highly probable expected transaction. This covers variable-rate issues in foreign currencies, fixed-rate issues in non-local currencies, interbank financing at variable rates and variable-rate assets (bonds, trade credits, etc.).

- Fair value hedges: Cover exposure to change in the fair value of assets or liabilities, attributable to an identified and covered risk. This covers the interest risk of assets or liabilities (bonds, loans, bills, issues, deposits, etc.). (etc.) with coupons or fixed interest rates, interests in entities, foreign currency issues and deposits or other fixed-rate liabilities.

- Hedging of net investments abroad: Cover the exchange rate risk of investments in dependent entities with a functional currency other than the Euro.

	Thousands of euros				
	2023				
	NOMINAL VALUE	MARKET VALUE		Changes in fair value used to calculate hedge ineffectiveness	Balance sheet line items
		ASSETS	LIABILITIES		
Fair value hedges	20,674,973	280,270	242,220	(560,695)	
Interest rate risk	18,978,957	264,393	204,415	(448,671)	
Interest Rate Swap	18,978,957	264,393	204,415	(448,671)	Derivatives - hedge
Exchange rate risk	339,788	247	13,259	—	
FX Forward	339,788	247	13,259	—	Derivatives - hedge
Interest rate and exchange risk	1,356,228	15,630	24,546	(112,024)	
Currency Swap	1,356,228	15,630	24,546	(112,024)	Derivatives - hedge
Hedges Cash flows	5,224,393	108,189	127,466	(80,098)	
Interest rate risk	1,230,360	19,346	7,554	(83,589)	
Interest Rate Swap	1,230,360	19,346	7,554	(83,589)	Derivatives - hedge
Exchange rate risk	1,516,937	27,939	67,037	(2,505)	
Currency swap	1,516,937	27,939	67,037	(2,505)	Derivatives - hedge
Interest rate and exchange risk	2,477,096	60,904	52,875	5,996	
Currency swap	2,477,096	60,904	52,875	5,996	Derivatives - hedge
Hedges of net investments in foreign operations	2,104,843	2,038	70,581	(2,669)	
Exchange rate risk	2,104,843	2,038	70,581	(2,669)	
FX Forward	2,104,843	2,038	70,581	—	Derivatives - hedge
Deposits taken	—	—	—	(2,669)	Deposits
	28,004,209	390,497	440,267	(643,462)	

	Thousands of euros				
	2022				
	NOMINAL VALUE	MARKET VALUE		Changes in fair value used to calculate hedge ineffectiveness	Balance sheet line items
		ASSETS	LIABILITIES		
Fair value hedges	20,979,888	876,855	143,425	679,319	
Type of interest risk	19,694,967	869,796	113,915	705,127	
Interest Rate Swap	19,694,967	869,796	113,915	705,127	Derivatives - hedge
Exchange rate risk	456,210	7,059	1,259	—	
FX Forward	456,210	7,059	1,259	—	Derivatives - hedge
Interest rate and exchange risk	828,710	—	28,251	(25,808)	
Currency Swap	828,710	—	28,251	(25,808)	Derivatives - hedge
Hedges Cash flows	5,646,185	209,136	49,584	74,001	
Type of interest risk	1,663,660	51,038	3,000	84,861	
Interest Rate Swap	1,663,660	51,038	3,000	84,861	Derivatives - hedge
Exchange rate risk	695,276	2,406	46,137	2,787	
Currency swap	695,276	2,406	46,137	2,787	Derivatives - hedge
Interest rate and exchange risk	3,287,249	155,692	3,444	(13,647)	
Currency swap	3,287,249	155,692	3,444	(13,647)	Derivatives - hedge
Hedges of net investments in foreign operations	1,960,672	45,080	778	20	
Exchange rate risk	1,960,672	45,080	778	20	
FX Forward	1,960,672	45,080	778	163	Derivatives - hedge
Deposits taken	—	—	—	(143)	Deposits
	28,586,744	1,131,071	193,787	753,341	

Group entities mainly have long-term loan portfolios at fixed interest rates and are therefore exposed to fair value changes due to movements in market interest rates. Institutions manage this risk by contracting Interest Rate Swaps in which they pay fixed rate and receive variable rate. Only interest rate risk is covered and therefore other risks, such as credit risk, are managed but not covered by institutions. The interest rate risk component is determined as the change in the fair value of fixed-rate loans arising only from changes in a reference rate. This strategy is designated as fair value hedging and its effectiveness is measured by comparing changes in the fair value of loans attributable to changes in reference interest rates with changes in the fair value of interest rate swaps.

In addition, some entity of the Group, in order to access international markets in order to obtain sources of financing, issues debt at fixed rate in its own currency and in currencies other than its functional currency. Therefore, it is exposed to changes in both interest rates and exchange rates, which mitigate with derivatives (Interest Rate Swaps, Fx Forward and Cross Currency Swaps) in which they receive fixed interest rate and pay variable interest rate and which they instrumentalize with fair value coverage.

The cash flow hedges of Consumer Group entities cover exchange rate risk of loans and financing. These hedges are mainly carried out through Interest Rate Swaps and Cross Currency Swaps.

In any case, in the event of ineffectiveness in fair value or cash flow hedges, the entity mainly contemplates the following causes:

- Possible economic events affecting the entity (e.g.: Default).
- For movements and possible market-related differences in collateralized and non-collateralized curves used in the valuation of derivatives and covered headings, respectively.
- Possible differences between the nominal value, settlement/repricing dates and credit risk of the hedged item and the hedging element.

Finally, it has hedges of net investments abroad, to cover the exchange risk of the participation in the currencies NOK and CNY.

In the case of this type of coverage, the ineffectiveness scenarios are considered low probability, since the hedging instrument is designated considering the determined position and the spot rate at which it is located.

Below, we show a table with the expiration profile of the Group's hedging instruments' nominals:

	Thousands of euros					
	2023					
	Up to 1 month	Between 1 and 3 months	Between 3 and 12	Between 1 and 5 years	More than 5 years	Total
Fair value hedges	645,705	1,095,935	4,546,656	13,686,998	699,678	20,674,972
Type of interest risk	445,767	1,051,026	4,301,668	12,480,817	699,678	18,978,956
Interest Rate Swap	445,767	1,051,026	4,301,668	12,480,817	699,678	18,978,956
Exchange rate risk	199,938	44,909	94,941	—	—	339,788
FX Forward	199,938	44,909	94,941	—	—	339,788
Interest rate and exchange risk	—	—	150,047	1,206,181	—	1,356,228
Currency Swap	—	—	150,047	1,206,181	—	1,356,228
Hedges Cash flows	360,513	616,113	2,017,914	2,204,917	24,936	5,224,393
Type of interest risk	51,846	93,243	447,769	612,566	24,936	1,230,360
Interest Rate Swap	51,846	93,243	447,769	612,566	24,936	1,230,360
Exchange rate risk	30,071	54,768	289,539	1,142,559	—	1,516,937
Currency swap	30,071	54,768	289,539	1,142,559	—	1,516,937
Interest rate and exchange risk	278,596	468,102	1,280,606	449,792	—	2,477,096
Currency swap	278,596	468,102	1,280,606	449,792	—	2,477,096
Hedges of net investments in foreign operations	265,664	408,592	1,430,587	—	—	2,104,843
Exchange rate risk	265,664	408,592	1,430,587	—	—	2,104,843
FX Forward	265,664	408,592	1,430,587	—	—	2,104,843
	1,271,882	**2,120,640**	**7,995,157**	**15,891,915**	**724,614**	**28,004,208**

	Thousands of Euros					
	2022					
	Up to 1 month	Between 1 and 3 months	Between 3 and 12	Between 1 and 5 years	More than 5 years	Total
Fair value hedges	524,237	905,355	3,602,301	15,247,675	700,319	20,979,887
Interest rate risk	310,862	595,102	3,469,411	14,619,273	700,319	19,694,967
Interest rate swap	310,862	595,102	3,469,411	14,619,273	700,319	19,694,967
Exchange rate risk	213,375	109,944	132,891	—	—	456,210
FX forward	213,375	109,944	132,891	—	—	456,210
Interest rate and exchange risk	—	200,308	—	628,402	—	828,710
Currency swap	—	200,308	—	628,402	—	828,710
Hedges Cash flows	285,796	625,702	2,373,983	2,360,704	—	5,646,185
Interest rate risk	40,180	92,465	629,612	901,403	—	1,663,660
Interest rate swap	40,180	92,465	629,612	901,403	—	1,663,660
Exchange rate risk	63,332	27,332	283,388	321,223	—	695,275
Currency swap	63,332	27,332	283,388	321,223	—	695,275
Interest rate and exchange risk	182,284	505,905	1,460,983	1,138,077	—	3,287,249
Currency swap	182,284	505,905	1,460,983	1,138,077	—	3,287,249
Hedges of net investments in foreign operations	181,047	648,059	1,131,566	—	—	1,960,672
Exchange rate risk	181,047	648,059	1,131,566	—	—	1,960,672
FX forward	181,047	648,059	1,131,566	—	—	1,960,672
	991,080	**2,179,116**	**7,107,850**	**17,608,379**	**700,319**	**28,586,744**

Additionally, we show both the maturity profile and the average interest and exchange rates of the hedging instruments by maturity buckets:

	2023					
	Thousands of euros					
	Up to 1 month	Between 1 and 3 months	Between 3 and 12	Between 1 and 5 years	More than 5 years	Total
Fair value hedges						
Interest rate risk						
Instruments of type of interest						
Nominal	445,767	1,051,026	4,301,668	12,480,817	699,678	18,978,957
Average fixed interest rate (%) EUR.	0.760	0.570	0.650	2.300	1.020	
Average fixed interest rate (%) CHF	1.470	1.380	1.500	1.580	—	
Average fixed interest rate (%) CAD	—	—	3.870	3.710	4.000	
Exchange rate risk						
Exchange rate instruments						
Nominal	199,938	44,909	94,941	—	—	339,788
Average exchange rate NOK/EUR.	11.842	11.81	—	—	—	
Average CAD/EUR exchange rate	—	—	1.487	—	—	
Average exchange rate PLN/ EUR.	—	—	4.439	—	—	
Average exchange rate CNH/ EUR.	—	—	7.793	—	—	
Exchange rate and interest risk						
Instruments of type of interest						
Nominal	—	—	150,047	1,206,181	—	1,356,228
Average exchange rate DKK/EUR.	—	—	7.451	7.451	—	
Average fixed interest rate (%) DKK	—	—	2.880	2.880	—	
Average fixed interest rate (%) SEK	—	—	—	4.880	—	
Cash flow hedges						
Interest rate risk						
Instruments of type of interest						
Nominal	51,846	93,240	447,769	612,566	24,936	1,230,357
Average fixed interest rate (%) EUR.	8.543 %	7.170 %	5.691 %	4.682 %	— %	
Average fixed interest rate (%) CAD	— %	— %	— %	4.370 %	4.660 %	
Exchange rate risk						
Exchange rate instruments						
Nominal	30,071	54,768	289,539	1,142,559	—	1,516,937
Average exchange rate NOK/EUR.	—	—	—	10.590	—	
Average exchange rate CHF/EUR.	1.047	1.075	1.080	0.977	—	
Average CAD/EUR exchange rate	1.440	1.421	1.458	1.412	—	
Average exchange rate JPY/EUR.	—	—	121.570	157.278	—	
Exchange rate and interest risk						
Exchange rate instruments						
Nominal	278,596	468,102	1,280,606	449,792	—	2,477,096
Average exchange rate SEK/EUR.	11.130	11.680	11.270	10.690	—	
Average exchange rate NOK/EUR.	11.580	11.470	11.100	10.230	—	
Average exchange rate DKK/EUR.	7.450	7.450	7.460	—	—	
Average fixed interest rate (%) SEK	—	—	1.660	1.940	—	
Hedges of net investments in foreign operations						
Exchange rate risk						
Exchange rate instruments						
Nominal	265,664	408,592	1,430,587	—	—	2,104,843
Average exchange rate NOK/EUR.	11.465	11.715	11.651	—	—	
Average exchange rate CNY/EUR.	—	—	7.704	—	—	
Average CAD/EUR exchange rate	1.461	—	—	—	—	
Average exchange rate CHF/EUR.	0.940	—	—	—	—	
Average exchange rate PLN/EUR.	—	—	4.659	—	—	

	2022					
	Thousands of Euros					
	Up to 1 month	Between 1 and 3	Between 3 and 12	Between 1 and 5 years	More than 5 years	Total
Fair value hedges						
Interest rate risk						
Instruments of type of interest						
Nominal	310,862	595,102	3,469,411	14,619,273	700,319	19,694,967
Average fixed interest rate (%) EUR.	(0.002)	—	0.002	0.006	0.002	—
Average fixed interest rate (%) CHF	(0.627)	(0.628)	1.200	1.419	—	—
Average fixed interest rate (%) GBP	0.015	0.014	0.013	0.019	—	—
Exchange rate risk						
Exchange rate instruments						
Nominal	213,375	109,944	132,891	—	—	456,210
Average exchange rate DKK/EUR.	—	—	7.000	—	—	—
Average exchange rate NOK/EUR.	—	—	—	—	—	—
Average exchange rate CHF/EUR.	1.034	—	—	—	—	—
Average exchange rate SEK/EUR.	—	1.027	0.992	—	—	—
Average CAD/EUR exchange rate	—	—	10.767	—	—	—
Average GBP/EUR exchange rate	—	1.412	—	—	—	—
Exchange rate and interest risk						
Instruments of type of interest						
Nominal	—	200,308	—	628,402	—	828,710
Average exchange rate DKK/EUR.	—	—	—	0.004	—	
Average fixed interest rate (%) DKK	—	—	—	7.439	—	
Average fixed interest rate (%) SEK	—	—	—	0.001	—	
Cash flow hedges						
Interest rate risk						
Instruments of type of interest						
Nominal	40,180	92,465	629,612	901,403	—	1,663,660
Average fixed interest rate (%) EUR.	0.121 %	0.541 %	0.299 %	1.465 %	— %	—
Exchange rate risk						
Exchange rate instruments						
Nominal	63,332	27,332	283,388	321,223	—	695,276
Average exchange rate NOK/EUR.	—	—	—	10.590	—	—
Average exchange rate CHF/EUR.	1.077	1.084	1.064	1.059	—	—
Average CAD/EUR exchange rate	—	—	1.454	1.427	—	—
Average exchange rate JPY/EUR.	—	—	—	121.570	—	—
Exchange rate and interest risk						
Exchange rate instruments						
Nominal	182,284	505,905	1,460,983	1,138,077	—	3,287,249
Average exchange rate SEK/EUR.	10.360	10.390	10.580	10.700	—	—
Average exchange rate NOK/EUR.	9.600	9.940	10.310	10.280	—	—
Average exchange rate CHF/EUR.	—	—	—	1.090	—	—
Average CAD/EUR exchange rate	—	—	—	1.370	—	—
Average exchange rate DKK/EUR.	—	—	7.410	—	—	—
Average exchange rate PLN/EUR.	—	—	4.290	—	—	—
Average fixed interest rate (%) EUR.	— %	— %	— %	— %	— %	—
Average fixed interest rate (%) CHF	— %	— %	— %	2.000 %	— %	—
Hedges of net investments in foreign operations						
Exchange rate risk						
Exchange rate instruments						
Nominal	181,047	648,059	1,131,566	—	—	1,960,672
Average exchange rate NOK/EUR.	10.225	10.084	10.458	—	—	—
Average exchange rate CNY/EUR.	—	7.059	—	—	—	—

For the part of the items covered, in the following table we have the detail of the type of coverage, the risk that is covered and what products are being covered as of December 31, 2023:

	Thousands of euros							
	2023							
	Carrying amount of hedged items		Accumulated fair value adjustments to the hedge items		Balance Sheet line item	Changes in the fair value of hedged item for ineffectivenes s assessment	Cash flow hedge/currency translation reserve	
	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	Assets
Fair value hedges	18,662,557	2,425,182	(120,782)	75,182	Loans and advances	653,865	—	—
Interest rate risk	18,310,467	1,071,138	(120,782)	71,138		544,469	—	—
Exchange rate risk	352,090	—	—	—		—	—	—
Interest rate risk and Exchange rate risk	—	1,354,044	—	4,044	Equity portfolio	109,396	—	—
Cash flow hedges	—	—	—	—	Financial liabilities at amortized cost	13,708	(13,265)	14,454
Interest rate risk	—	—	—	—		7,826	(3,591)	14,377
Exchange rate risk	—	—	—	—		1,195	(1,195)	—
Interest rate risk and Exchange rate risk	—	—	—	—		4,686	(8,478)	77
Hedges of net investments in foreign operations	2,423,022	—	—	—	Heritage instruments	—	2,505	—
Exchange rate risk	2,423,022	—	—	—		—	2,505	—
	21,085,579	2,425,182	(120,782)	75,182		667,573	(10,760)	14,454

The cumulative amount of adjustments for fair value hedging instruments remaining on the balance sheet for hedged items that have no longer been hedging loss and gain adjustments as at 31 December 2023 is (41) million euros.

	Thousands of Euros							
	2022							
	Carrying amount of hedged items		Accumulated fair value adjustments to the hedge items		Balance Sheet line item	Changes in the fair value of hedged item for ineffectivenes s assessment	Cash flow hedge/currency translation reserve	
	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	Assets
Fair value hedges	18,103,217	4,288,729	(766,024)	151,263	Loans and advances	(568,406)	—	—
Interest rate risk	17.635.515	3.460.019	(766.024)	104.224		(615.816)	—	—
Exchange rate risk	467.703	—	—	—		—	—	—
Interest rate risk and Exchange rate risk	—	828,710	—	47,039	Equity portfolio	47,409	—	—
Cash flow hedges	—	—	—	—	Financial liabilities at amortized cost	(112,488)	43,197	43,450
Interest rate risk	—	—	—	—		18.087	51.093	43.416
Exchange rate risk	—	—	—	—		43.731	3.980	—
Interest rate risk and Exchange rate risk	—	—	—	—		(174,307)	(11,876)	34
Hedges of net investments in foreign operations	1,958,236	—	—	—	Heritage instruments	—	—	—
Exchange rate risk	1.958.236	—	—	—		—	—	—
	20.061.454	4.288.729	(766.024)	151.263		(680.894)	43.197	43.451

The cumulative amount of adjustments for fair value hedging instruments remaining on the balance sheet for hedged items that have no longer been hedging loss and gain adjustments as at 31 December 2022 is (4) million euros.

The net impacts of hedges are seen in the following table:

	Thousands of euros				
	2023				
	Gains/(losses) recognised in other comprehensive	Ineffective coverage recognised in the	Income statement line item that includes the ineffectiveness of cash flows	Amount reclassified to profit or loss due to: Covered transaction affecting	Amount reclassified to profit or loss due to: Income statement line that includes reclassified items
Fair value hedges	—	93,170	Asset gains or losses/financial liabilities	—	Interest margin/lost earnings Assets/liabilities FIN
Interest rate risk	—	95,798		—	
Interest rate and exchange risk	—	(2,628)		—	
Hedges Cash flows	(85,458)	2,690	Asset gains or losses/financial liabilities	14,872	Interest margin/lost earnings Assets/liabilities FIN
Interest rate risk	(83,723)	134		36,449	
Exchange rate risk	(5,175)	—		(9,092)	
Interest rate and exchange risk	3,440	2,556		(12,485)	
Hedges of net investments in foreign operations	2,505	—	Asset gains or losses/financial liabilities	—	Interest margin/lost earnings Assets/liabilities FIN
Exchange rate risk	2,505	—		—	
	(82,953)	95,860		14,872	

	2022				
	Thousands of Euros				
	Gains/(losses) recognised in other comprehensive	Ineffective coverage recognised in the	Income statement line item that includes the ineffectiveness of cash flows	Amount reclassified to profit or loss due to: Covered transaction affecting	Amount reclassified to profit or loss due to: Income statement line which includes reclassified elements
Fair value hedges	—	86,252	Asset gains or losses/financial liabilities	—	Interest margin/gains or losses assets/financial liabilities
Interest rate risk	—	89,020		—	
Interest rate and exchange risk	—	(2,768)		—	
Hedges Cash flows	73,003	348	Asset gains or losses/financial liabilities	(31,593)	Interest margin/gains or losses assets/financial liabilities
Interest rate risk	84,513	348		5,650	
Exchange rate risk	2,645	—		(7,705)	
Interest rate and exchange risk	(14,155)	—		(29,538)	
Hedges of net investments in foreign operations	—	—	Asset gains or losses/financial liabilities	—	Interest margin/gains or losses assets/financial liabilities
Exchange rate risk	—	—		—	
	73,003	86,600		(31,593)	

The impact in shareholder's equity in 2023 is as follows

	Thousands of euros
Balance at the beginning of 2022	10,170
Cash flow hedges	73,003
Interest rate risk	84,513
Transferred to results	*(5,650)*
Other reclassifications	*90,163*
Exchange rate risk	2,645
Transferred to results	*6,891*
Other reclassifications	*(4,246)*
Interest rate and exchange risk	(14,155)
Transferred to results	*29,538*
Other reclassifications	*(43,693)*
Non-controlling interests	(6,334)
Taxes	(14,727)
Balance at year-end 2022	62,112
Hedges Cash flows	(85,458)
Interest rate risk	(83,723)
Transferred to results	*(36,523)*
Other reclassifications	*(47,200)*
Exchange rate risk	(5,175)
Transferred to results	*9,092*
Other reclassifications	*(14,267)*
Interest rate and exchange risk	3,440
Transferred to results	*12,485*
Other reclassifications	*(9,045)*
Non-controlling interests	4,989
Taxes	15,846
Balance at year-end 2023	(2,511)

30. Interest income

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 includes interest earned in the financial year on all financial assets whose return, implicit or explicit, is derived from the application of the effective interest rate method, regardless of whether they are valued at fair value, except for trading derivatives; as well as corrections of products as a result of accounting hedges. Interest is recorded on the gross amount, without deducting, where applicable, tax withholdings made at source.

The origin of the most significant interest income earned by the Group in the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Loans and advances, central banks	—	—
Loans and advances, credit institutions	220.153	26.960
Debt securities	67.436	39.031
Loans and advances, clientele	5.443.476	4.018.879
Of doubtful assets	4.778	3.548
Rectification of income for hedging operations and other interests	695,690	106,815
	6,431,533	4,195,233

Most of the interest income has been generated by the Group's financial assets measured at amortized cost or at fair value through other cumulative comprehensive income.

31. Interest expense

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 includes interest earned in the financial year on all financial liabilities with return, implicit or explicit, including those arising from remuneration in kind, they are obtained by applying the effective interest rate method, irrespective of whether they are valued at fair value, with the exception of trading derivatives; as well as the cost rectifications as a result of accounting hedges, and the interest cost attributable to the pension funds constituted.

The origin of the most significant interest expenses accrued by the Group in the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Bank of Spain and other central banks	395.714	29.514
Credit institutions	561.755	55.488
Customer deposits	734.131	165.595
Debits represented by negotiable securities	1,212,303	318,350
Subordinated liabilities	36.498	13.633
Pension funds (Notes 2-r. 2-s and 21) (*)	17.545	8.680
Rectification of expenses for operations coverage	(5,633)	801
Other interests	54.067	31.965
	3.006.380	624.026

(*) Includes interest on post-employment and other long-term remuneration of Spanish entities in the amount of 390 and 663 thousand euros, respectively, in the financial year 2023 (369 and 472 thousand euros, respectively, in the financial year 2022) and of foreign entities for 16,492 thousand euros (7,837 thousand euros in the financial year 2022) - see Note 21-.

Most of the interest expenses have been generated by the Group's financial liabilities that are valued at amortized cost.

32. Income from entities accounted for using the equity method

The balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 includes the amount of profits or losses generated in the year by the associated entities and joint ventures, attributable to the Group.

The breakdown of the balance in this chapter as at 31 December 2023 and 2022 is as follows (see Note 12):

	Thousands of Euros	
	2023	2022
Santander Consumer Bank S.A. (Poland)	5,886	32,941
Fortune Auto Finance Co., Ltd.	25,478	28,335
Stellantis Insurance Europe, Ltd.	29,623	20,260
Stellantis Life Insurance Europe Ltd.	11,643	12,032
Santander Consumer Multirent, S.A.	3,434	2,093
Stellantis Finance Polska Sp. Z O.O.	1,926	1,060
Other companies	(915)	15
	77,075	96,736

33. Income from commissions

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 includes the amount of commissions accrued in the financial year, except those that form an integral part of the effective interest rate of financial instruments, included in the "Interest income" chapter of the attached consolidated profit and loss accounts.

The breakdown of the balance in this chapter of the consolidated profit and loss account for the financial years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Collection and payment services:		
Bills	4,333	5,543
Demand accounts	17,454	17,794
Cards	77,450	65,237
Checks and orders	28,334	25,240
	127,571	113,814
Marketing of non-banking financial products:	845,220	876,323
	845,220	876,323
Securities services:		
Securities trading	32,571	24,261
Administration and custody	1,018	1,046
Equity management	8,669	8,599
	42,258	33,906
Other:		
Financial guarantees	7,572	6,065
Commitment fees	7,115	4,899
Other fees and commissions	94,391	98,018
	109,078	108,982
	1,124,127	1,133,025

34. Commission expenses

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 reflects the amount of commissions paid or payable in the financial year, except those that form an integral part of the effective interest rate of financial instruments, included in the "Interest expense" chapter of the attached consolidated profit and loss accounts.

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Brokerage fees on lending and deposit transactions	948	771
Fees and commissions assigned in respect of off-balance-	24,544	15,928
Fees and commissions assigned for collection and return of	8,432	7,640
Fees and commissions assigned in other concepts	15,646	16,275
Fees and commissions assigned for cards	13,135	11,084
Fees and commissions assigned for securities	26,009	17,045
Fees and commissions assigned to intermediaries	67,690	71,782
Other fees and commissions for placement of insurance	192,653	164,298
Other fees and commissions	45,746	44,666
	394,803	349,489

35. Gains and losses associated with financial assets and liabilities

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022, according to the origin of the items that make up it, is as follows:

	Thousands of Euros	
	2023	2022
	Income/(Expenditure)	
Gains/(losses) on financial instruments not at fair value through profit or loss, net	47,259	807
Financial assets at amortised cost	—	*2*
Other	*47,259*	*805*
Gains/(losses) on financial instruments held for trading, net	(2,265)	(10,077)
Gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	—	—
Gains/(losses) on financial instruments at fair value through profit or loss, net	—	—
Gains/(losses) from hedge accounting, net (Note 29)	95,860	86,600
	140,854	77,330

36. Currency translation differences (net)

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 basically reflects the results obtained in the sale of foreign exchange, the differences that arise when converting currency items in foreign currency to the functional currency and those from non-monetary assets in foreign currency at the time of their disposal.

37. Other operating income and other operating expenses

The breakdown of the balance in these chapters of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Other operating income	578,502	551,078
Income from non-financial services	342,293	356,959
Other exploitation products, others	236,209	194,119
Other operating expenses	(419,380)	(415,988)
Non-financial service expenses	(219,422)	(218,459)
Deposit guarantee fund and single resolution fund	(64,982)	(81,891)
Other operating loads, others	(134,976)	(115,638)
Other operating charges	—	—
	159,122	135,090

38. Staff costs

The balance under this heading in the consolidated profit and loss accounts for the years 2023 and 2022 reflects the remuneration of staff on payroll, fixed or contingent, irrespective of their function or activity, accrued in the period whatever its concept.

The composition of staff costs as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Wages and salaries	704,265	649,661
Social security costs	112,271	101,065
Additions to pension provisions (Note 21) (*)	7,552	13,312
Contributions to defined contribution pension funds (Note 21)	42,359	40,902
Contributions to plans - Spanish entities	*3,806*	*3,034*
Contributions to plans - foreign entities	*38,553*	*37,868*
Share-based payment costs	—	7
Other staff costs	85,553	77,280
Termination benefits	3,293	1,955
	955,293	884,182

(*) of which:

- 242 thousand euros in 2023 (374 thousand euros in 2022) correspond to the "Cost of services of the current period of post-employment pay of defined benefit – Spanish entities" (see Notes 2-r and 21).

- 5,356 thousand euros in the financial year 2023 (9,486 thousand euros in the financial year 2022) correspond to the "Service cost of the current period of long-term remuneration and post-employment pay of defined benefit – Germany" (see Notes 2-r and 21).

- 1,945 thousand euros in the financial year 2023 (3,426 thousand euros in the financial year 2022) correspond to the "service cost of the current period of long-term remuneration and post-employment remuneration of defined benefit – other foreign entities" (see Notes 2-r and 21).

- 8 thousand euros in the financial year 2023 (26 thousand euros in the financial year 2022), correspond to the "Cost of services of the current period of other long-term remuneration of defined benefit – Spanish entities" (see Notes 2-s and 21).

The average number of employees of the Group in the years 2023 and 2022, distributed by professional categories, was as follows:

	Average number of employees	
	2023	2022
The Bank:		
Senior executives	41	43
Middle management	234	237
Clerical staff	867	829
	1.142	1.109
Other companies	10.831	10.168
	11.973	11.277

The functional and gender distribution of the number of employees in the Group as at 31 December 2023 and 2022 is as follows:

	2023			2022		
	Total	Men	Women	Total	Men	Women
Senior executives	98	74	24	97	73	24
Middle	2,005	1,283	722	1,262	772	490
Clerical staff and	9,948	4,723	5,225	10,061	4,914	5,147
	12,051	6,080	5,971	11,420	5,759	5,661

As at 31 December 2023, the Board of Directors of the Bank consisted of 10 Directors, of whom 4 were women (10 as at 31 December 2022, of whom one was a woman).

The employment relations between the employees and the different companies of the Group are regulated in the corresponding collective agreements or related rules.

As of December 31, 2023 and 2022, certain employees of subsidiaries of the Group are beneficiaries of the remuneration plans described in Note 5.

39. Other administrative expenses

The breakdown of the balance under this heading in the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Property, fixtures and supplies	49,426	46,235
Other administrative expenses	47,427	8,408
Communications	35,296	37,325
Taxes other than income tax	58,732	55,737
Technology and systems	329,949	319,454
Public relations, advertising and publicity	76,941	80,634
Per diems and travel expenses	17,005	13,436
External services	223,334	214,419
Technical reports	80,032	86,194
Insurance premiums	7,617	7,584
Other	3,513	2,624
	929,272	872,050

Included in the balance of technical reports, fees for the services provided by LOS are reflected
Auditors to the different companies of the Santander Consumer Finance Group (detailed in the attached annexes), as follows:

	Millions of Euros	
	2023	2022
Audit	16.3	17.4
Audit-related services	0.8	0.6
Tax services	—	—
Other services	0.1	0.2
Total	17.2	18.2

The audit services and major non-audit services included, where appropriate, under each concept in the table above are detailed below:

- Audit services: Audit of the individual and consolidated annual accounts of Santander Consumer Finance and the companies that are part of the Group in which PricewaterhouseCoopers Auditores, S.L or another firm in the PwC network is an external auditor; audit of the interim consolidated financial statements of Santander Consumer Finance; reporting for the purposes of the integrated audit of the consolidated financial statements and the internal control over financial information (SOx) of Banco Santander, S.A; for those Group entities that are required to do so; limited reviews of financial statements; E Regulatory reports required to the auditor for different entities of the Group.

- Audit-related services: Issuance of comfort letters, financial and non-financial information verification services required by regulators or other documentation reviews to be submitted to supervisory bodies, both domestic and foreign, which by their very nature are normally provided by the external auditor.

- Tax services: Tax advice and compliance services allowed in accordance with the applicable independence regulations and that have no direct impact on the audited financial statements, provided to Group companies outside Spain.

- Other services: Issuance of reports of agreed procedures, assurance reports and special reports, made under accepted standards of the profession; as well as other reports required by the regulator.

The concept 'Audit' includes the fees corresponding to the audit of the year, regardless of its end date. In the event of subsequent adjustments to these, which are not significant in any case, for the purpose of facilitating comparison, they are presented in this note in the year for which the audit is concerned. The rest of the services are included depending on the time of their approval by the audit committee.

The services contracted to the auditors comply with the independence requirements established in the applicable European and Spanish regulations, as well as by the rules of the SEC and the Public Accounting Oversight Board (PCAOB) that apply to the Group and, in no case, they include the performance of work incompatible with the role of the auditor.

40. Impairment or reversal of impairment of non-financial assets

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Tangible assets (*)	(169)	985
Intangible assets (Note 15)	5.337	11.647
Others	8.486	9.227
	13,654	21,859

(*) As at 31 December 2023 and 2022, no amounts have been recorded for loss of valuation corrections due to impairment of tangible property for own use (see Note 13).

The amount recorded in the chapter "Impairment or reversal of impairment of non-financial assets – intangible assets" as at 31 December 2023 corresponds mainly to impairments due to obsolescence of elements of the intangible asset – (see note 15).

41. Gains or (losses) on deregistration of non-financial assets and equity accounts, net

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
	Income/(Expenditure)	
Gains:		
Tangible and intangible fixed assets (Notes 13 and 15)	837	791
Participations	81.990	632
	82.827	1.423
Losses:		
Tangible and intangible fixed assets (Notes 13 and 15)	(694)	(221)
	(694)	(221)
	82,133	1,202

The amount recorded in the chapter "Earnings or (losses) on cancelation of non-financial assets and equity accounts, net" as of December 31, 2023 corresponds mainly to the result obtained in the sale of the origination rights of the Operational Lease business by the joint ventures of Belgium, France, Italy, the Netherlands, Poland and Spain in the context of the reorganization of the Stellantis agreement - (see note 3). It also includes the result obtained in the sale of the shares of the joint ventures of Germany and United Kingdom A within the framework of the aforementioned agreement.

42. Gains or (losses) from non-current assets and disposal groups classified as held for sale not eligible as discontinued activities

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
	Income/(Expenditure)	
Net gains (losses) on sales	(1.089)	(780)
Endowment of impairment losses (net) (Note 11)	(588)	652
	(1.677)	(128)

43. Fair value of financial instruments

The following table summarizes the fair values, as at 31 December 2023 and 2022, of the financial instruments (assets and liabilities) that, according to the above criteria, are presented as measured in these consolidated annual accounts at fair value, classified according to the different valuation methodologies followed by the Group to determine their fair value:

	Thousands of euros					
	31/12/2023			31/12/2022		
	Published quotes In active markets	Internal models (*)	Total	Published quotes In active markets	Internal models (*)	Total
Financial assets held for trading	—	323,898	323,898	—	494,664	494,664
Non-trading financial assets obligatorily measured at fair value through profit or loss	4	1,539	1,543	6	1,870	1,876
Financial assets designated at fair value through other comprehensive income	165,936	8,927	174,863	735,775	12,694	748,469
Derivatives – Coverage Accounting (Assets)	—	390,497	390,497	—	1,131,071	1,131,071
Financial liabilities held for trading	—	343,594	343,594	—	466,031	466,031
Financial liabilities designated at fair value through profit or loss	—	—	—	—	—	—
Derivatives – Hedge Accounting (Liabilities)	—	440,267	440,267	—	193,787	193,787

(*) In their entirety, the main variables (inputs) used by the models are derived from observable market data (Level 2, according to IFRS 7 – Financial Instruments: Disclosure).

During the years 2023 and 2022, the Group has not made significant transfers of financial instruments between the different valuation methodologies. No changes have been made to the valuation techniques of financial instruments. Moreover, the movement of Tier 3 financial assets was not significant during the years 2023 and 2022.

General evaluation criteria

The Santander Group, of which the Group is part, has developed a formal process for the systematic valuation and management of financial instruments, implemented globally in all units, including the Group's units. The governance scheme of this process The Group distributes responsibilities between two independent divisions: Financial Management (responsible for the daily management of financial products) and Risk (which assumes the periodic validation of valuation models and market data, the process of calculating risk metrics, approving policies for new operations, managing market risk and implementing valuation adjustment policies).

The approval of a new product involves a sequence of several steps (application, development, validation, integration into corporate systems and quality review) before its commissioning into production. This process ensures that the valuation systems have been properly reviewed and are stable before they can be used.

The following sections detail the most important products and instrument families, together with their respective valuation techniques and inputs by asset type. In the case of the Group, the main positions are derived from simple (simple) instruments, mainly interest rate *swaps* and *cross currency swaps*.

Interest rate and fixed income

The type of interest rate assets includes simple instruments, such as interest rate *forwards*, interest rate *swaps* and *cross currency swaps, valued at the net present value of estimated future flows discounted on spreads basis* (swap and *cross currency). determined according to the frequency of payments and the currency of each leg of the derivative. In general, in Grupo Santander, simple options (vanilla), including caps* and *floors* and *swaptions, are valued using the Black-Scholes model, which is one of the reference models in the industry. For the valuation of more exotic derivatives, more complex models generally accepted as standard among institutions are used, although in Grupo Santander Consumer derivatives are generally simple (plain vanilla).*

These valuation models are fed with observable market data such as deposit interest rates, futures rates, cross *currency swaps* and *constant maturity swaps, as well as spreads basis, from which different interest rate curves are calculated, as well as the exchange rates. depending on the frequency of payments, and discount curves for each currency. In the case of options, implicit volatilities are also inputs to the model. These volatilities are observable in the market, both for caps* and *floors options* and for *swaptions, making interpolations and extrapolations of volatilities from the quoted ranges using models generally accepted in the industry. The valuation of more exotic derivatives may require the use of unobservable data or parameters, such as correlation (between interest rates and between asset classes), reversal rates to the average and prepayment rates, which are generally defined from historical data or by calibration.*

Inflation-related assets include bonds and swaps linked to zero or annual coupon inflation, valued using the present value method through forward estimation and discount. Inflation index derivatives are valued with standard models or more complex models as appropriate. The valuation inputs of these models consider the swap spreads linked to observable inflation in the market and estimates of seasonality in inflation, from which a forward inflation curve is calculated. Likewise, the implicit volatilities extracted from zero and annual coupon inflation options are also inputs for the valuation of more complex derivatives.

Fixed income instruments include products such as bonds, bills or promissory notes whose valuation, as described above, can be done by observing their price in listed markets, models constructed from observable data or other techniques in cases where neither of the above two alternatives is possible.

Equities and exchange rate

The most important products in these asset classes are *forward* and futures contracts, as well as simple derivatives (vanilla), listings and OTC (Over-The-Counter), on individual underlying and asset baskets. Simple options (vanilla) are valued using the standard *Black-Scholes* model, while more exotic derivatives, involving future yields, average performance or digital characteristics, barrier or repurchase possibility (callable) are valued using generally accepted industry models or custom models, as appropriate. For derivatives on illiquid shares, the hedging is done considering the liquidity restrictions in the models.

Equity model inputs generally consider interest rate curves, spot prices, dividends, repo margin spreads, implicit volatilities, stock-index correlation, and cross-asset correlation. The implicit volatilities are obtained from market quotes of simple options (vanilla) *call* and *put* of European and American type. Through various interpolation and extrapolation techniques, continuous volatility surfaces for illiquid stocks are obtained. Dividends are generally estimated in the medium and long term. As for correlations, they are obtained, where possible, implicitly from market quotes of products dependent on the correlation, in other cases, proxies are made to correlations between reference underlying or obtained from historical data.

As for the inputs of the exchange rate models include the interest rate curve of each currency, the spot exchange rate and the implied volatilities and the correlation between assets of this class. Volatilities are obtained from European call and put options that are listed on the markets such as *at-the-money, risk reversal or butterfly* options. *Illiquid currency pairs are usually treated using liquid pair data from which the illiquid currency can be broken down*.

Credit

The most common instrument of this class is the *Credit Default Swap* (CDS), which is used to cover credit exposure against a third game. In addition, models are also available for *First-to-Default* (FTD), *N-to-Default* (NTD) and *Single-tranche Collateralized Debt Obligation* (CDO) products. These products are valued with industry standard models, which estimate the probability of default of an individual issuer (for CDS) or the probability of joint default of more than one issuer for FTDs, NTDs and CDOs.

The valuation *inputs* are the interest rate curve, the CDS *spread* curve and the recovery rate. The CDS *spread* curve is obtained in the market for major individual indices and issuers. For less liquid issuers, the *spread* curve is estimated using *proxies* or other credit-linked instruments. Recovery rates are usually set to standard values. For CDO listings of individual *tranches*, the joint default correlation of several issuers is implicitly obtained from the market. For custom FTD, NTD and CDO, the correlation is estimated by *proxies* (quoted instruments similar to the instruments to be valued) or historical data when there is no other possible alternative.

Adjustment to the counterparty risk or non-compliance valuation

Credit Valuation Adjustment (CVA) is an adjustment to the valuation of OTC (Over The Counter) derivatives as a consequence of the risk associated with the credit exposure assumed with each counterparty.

The calculation of AVC is made taking into account the potential exposure with each counterparty in each future term. The AVC for a given counterpart is equal to the sum of AVC for all deadlines. For its calculation the following *inputs* are taken into account:

- Expected exposure: Including, for each trade, the current market value (MTM) as well as the potential future risk (ADD-ON) to each term. Mitigants such as collateral and netting contracts are taken into account, as well as a temporary decay factor for derivatives with intermediate payments.

- Severity: Percentage of final loss assumed in case of credit/default event of the counterparty.

- Probability of default/default: For cases where there is no market information (spread curve quoted by CDS, etc.) probabilities are used from ratings, preferably internal.

- Discount factor curve.

The *Debt Valuation Adjustment* (DVA) is an adjustment to the valuation similar to AVC, but in this case as a result of the Group's own risk assumed by its counterparties in OTC derivatives.

At the end of December 2023 and 2022, no CVA and DVA adjustments have been recorded for significant amounts.

In addition, in the Santander Group the Financing Fair Value Adjustment (FFVA) is calculated by applying the market's future financing margins to the expected future financing exposure of any unsecured component of the OTC derivatives portfolio. This includes the unsecured component of guaranteed derivatives, in addition to derivatives that are not fully guaranteed. The expected future financing exposure is calculated using a simulation methodology, when available. The impact of the FFVA on the Group is not significant for the consolidated financial statements as of December 31, 2023 and 2022.

Valuation adjustments for model risk

The fair value of financial instruments derived from previous internal models takes into account, inter alia, the terms of contracts and observable market data, including interest rates, credit risk, exchange rates and prepayments.

The valuation models described above do not incorporate significant subjectivity, since such methodologies can be adjusted and calibrated, where appropriate, by internal calculation of fair value and subsequent comparison with the corresponding actively traded price, however, valuation adjustments may be necessary when quoted market prices are not available for comparison purposes.

The sources of risk to consider are generally associated with uncertain model parameters, illiquid underlying issuers, low-quality market data or unavailable risk factors (sometimes the best possible alternative is to use limited models with controllable risk). In these situations, the Group calculates and applies valuation adjustments in accordance with general industry practice. The following are the main sources of model risk that could exist:

- In fixed income markets, model risks include correlation between fixed income indices, *basis* modeling, *model parameter calibration risk, and treatment of near-zero or negative interest rates. Other sources of risk stem from the estimation of market data, such as volatilities or interest rate curves, both estimation and flow discount. The price disparity depending on different market contributors, or the concentration of the asset in it, could also be sources of risk to consider in the fixed income market.*

- Currency markets are exposed to model risk by modeling *forward skew, and the impact of stochastic interest rate modeling and correlation for multi-asset instruments. Market data risk may also arise, from the illiquidity of specific currency pairs or different price contributors in the composition of the curve.*

- The most important source of model risk in credit derivatives comes from estimating the correlation between odds of default of different underlying issuers. For illiquid underlying issuers, the CDS *spread* may not be well defined.

The financial instruments at fair value whose valuation is based on internal models (Tier 2 and Tier 3) as at 31 December 2023 and 2022 are shown below:

	Thousands of Euros			
	Reasonable values calculated using internal models as of 31/12/2023	Reasonable values calculated using internal models as of 31/12/2023	Valuation Techniques	Main assumptions
ASSETS:				
Financial assets held for trading	323,898	—		
Derivatives	323,898	—		
Swaps	*274,279*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Interest rate options	*48,219*	—	*Black Sholes SLN*	*Interest rate curves, volatilities*
Others	*1,400*	—	*Method of the present value*	*Interest rate curves, volatility surface*
Non-trading financial assets obligatorily measured at fair value through profit or loss	—	1,539		
Heritage Instruments	—	*36*	Method of the present value	*Interest rate curves, market prices Fx, Basis*
Debt securities	—	845	Method of the present value	*Interest rate curves, market prices Fx, Basis*
Loans and advances	—	658	Method of the present value	*Interest rate curves, market prices Fx, Basis*
Derivatives - hedge accounting	390,497	—		
Swaps	*363,717*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Others	*26,780*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Financial assets designated at fair value through other comprehensive .	1,772	7,155		
Heritage Instruments	*1,772*	*7,155*	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
TOTAL ASSETS	716,167	8,694		
LIABILITIES:				
Financial liabilities held for trading	343,594	—		
Derivatives	343,594	—		
Swaps	*286,862*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Exchange rate options	—	—	*Black Sholes SLN*	*Interest rate curves, volatilities*
Interest rate options	*48,240*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Others	*8,492*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Derivatives - hedge accounting	440,267			
Swaps	*331,881*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Others	*108,386*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
TOTAL LIABILITIES	783,861	—		

	Thousands of Euros			
	Reasonable values calculated using internal models 31/12/2022	Reasonable values calculated using internal models 31/12/2022	Valuation Techniques	Main assumptions
ASSETS:				
Financial assets held for trading	494,664	—		
Derivatives	494,664	—		
Swaps	*425,843*	—	Method of the present value	Interest rate curves, market prices Fx, Basis
Interest rate options	*37,316*	—		
Others	*31,505*	—	Method of the present value	Interest rate curves, volatility surface
Non-trading financial assets obligatorily measured at fair value through profit or loss	—	1,870		
Heritage Instruments	—	39	Method of the present value	Interest rate curves, FX and EQ market prices, dividends, others
Debt securities	—	1,444		
Loans and advances	—	387		
Derivatives - hedge accounting	1,131,071	—		
Swaps	*1,068,242*	—	Method of the present value	Interest rate curves, market prices Fx, Basis
Others	*62,829*	—	Method of the present value	Interest rate curves, volatility surface, market prices Fx
Financial assets designated at fair value through other comprehensive income	1,205	11,489	Method of the present value	Interest rate curves, FX and EQ market prices, dividends, credit, others
Heritage Instruments	*1,205*	*11,489*		
TOTAL ASSETS	1,626,940	13,359		
LIABILITIES:				
Financial liabilities held for trading	466,031	—		
Derivatives	466,031	—		
Swaps	*430,526*	—	Method of the present value	Interest rate curves, market prices Fx, Basis
Exchange rate options	*6*	—		
Interest rate options	*35,484*	—		
Others	*15*	—		
Derivatives - hedge accounting	193,787			
Swaps	*163,493*	—	Method of the present value	Interest rate curves, market prices Fx, Basis
Others	*30,294*	—	Method of the present value	Interest rate curves, volatility surface, market prices Fx
TOTAL LIABILITIES	659,818	—		

44. Other information

a) *Residual deadlines for operations*

The breakdown, by maturity, of the balances of certain headings of the consolidated balance sheets as at 31 December 2023 and 2022 is as follows:

	2023						
	Thousands of Euros						
	On demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5+ Years	Total
Assets:							
Cash and balances at central banks	11,278,533	—	—	—	—	—	11,278,533
Financial assets at fair value through other	—	49,983	50,828	49,525	—	1,001	151,337
Debt instruments (Note 7)	—	49,983	50,828	49,525	—	1,001	151,337
Financial assets at amortised cost	4,923,370	6,217,335	9,171,609	26,004,145	65,666,609	9,142,819	121,125,887
Debt instruments (Note 7)	—	583,658	850,126	1,086,388	1,669,665	—	4,189,837
Loans and advances	4,923,370	5,633,677	8,321,483	24,917,757	63,996,944	9,142,819	116,936,050
Central banks	—	—	—	—	—	—	—
Credit institutions (Note 6)	147,235	232,768	210,788	637,865	199,663	6	1,428,325
Customers (Note 10)	4,776,135	5,400,909	8,110,695	24,279,892	63,797,281	9,142,813	115,507,725
	16,201,903	6,267,318	9,222,437	26,053,670	65,666,609	9,143,820	132,555,757
Liabilities:							
Financial assets at amortised cost. Deposits							
Deposits	35,731,940	2,178,794	4,828,020	10,956,154	14,557,349	1,732,857	69,985,114
Central banks (Note 17)	—	4	2,007,603	3,365,682	89,287	2,979	5,465,555
Credit institutions (Note 17)	261,352	556,110	568,297	2,049,167	10,910,182	1,330,111	15,675,219
Customers (Note 18)	35,470,588	1,622,680	2,252,120	5,541,305	3,557,880	399,767	48,844,340
Debt instruments in issue (Note 19)	—	2,444,016	3,940,929	13,251,301	20,258,188	11,710,789	51,605,223
Other financial liabilities	988,808	592,178	15,530	21,937	101,687	80,651	1,800,791
	36,720,748	5,214,988	8,784,479	24,229,392	34,917,224	13,524,297	123,391,128
Difference (assets – liabilities)	(20.518.845)	1,052,330	437,958	1,824,278	30,749,385	(4,380,477)	9,164,629

	2022						
	Thousands of Euros						
	On demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5+ Years	Total
Assets:							
Cash and balances at central banks	6,826,225	—	—	—	—	—	6,826,225
Financial assets at fair value through other comprehensive income	—	19,144	409,678	296,686	—	1,000	726,508
Debt instruments (Note 7)	—	19,144	409,678	296,686	—	1,000	726,508
Financial assets at amortised cost	6,957,723	5,517,489	7,836,587	22,883,416	56,688,948	13,210,385	113,094,548
Debt instruments (Note 7)	—	105,025	1,086,118	2,106,033	2,887,885	—	6,185,061
Loans and advances	6,957,723	5,412,464	6,750,469	20,777,383	53,801,063	13,210,385	106,909,487
Central banks	—	19,736	—	—	—	—	19,736
Credit institutions (Note 6)	248,388	13,777	11,483	18,282	98,279	97	390,306
Customers (Note 10)	6,709,335	5,378,951	6,738,986	20,759,101	53,702,784	13,210,288	106,499,445
	13,783,948	5,536,633	8,246,265	23,180,102	56,688,948	13,211,385	120,647,281
Liabilities:							
Financial assets at amortised cost-Deposits							
Deposits	31,982,008	2,789,937	3,198,629	12,254,331	20,370,972	252,193	70,848,070
Central banks (Note 17)	—	13	66	9,140,720	8,750,588	9,254	17,900,641
Credit institutions (Note 17)	487,358	330,687	1,558,296	788,927	8,304,618	150,316	11,620,202
Customers (Note 18)	31,494,650	2,459,237	1,640,267	2,324,684	3,315,766	92,623	41,327,227
Debt instruments in issue (Note 19)	—	274,496	4,272,678	7,616,878	17,583,722	9,107,986	38,855,760
Other financial liabilities (Note 20)	426,276	750,831	602	30,698	87,623	77,370	1,373,400
	32,408,284	3,815,264	7,471,909	19,901,907	38,042,317	9,437,549	111,077,230
Difference (assets – liabilities)	(18.624.336)	1,721,369	774,356	3,278,195	18,646,631	3,773,836	9,570,051

For the purpose of an adequate understanding of the information shown in the above tables, note that they have been constructed considering the contractual maturity of the financial instruments included therein, and that they do not take into account, therefore, the stability of certain liabilities such as customer current accounts and the renewal capacity historically shown by the Group's financial liabilities. Since they exclusively include financial instruments at the balance sheet date, they do not include participations, nor the cash flows generated by them, nor the cash flows from the results generated by the Bank.

b) *Euro value of assets and liabilities*

The breakdown of the euro equivalent of the main balances of the consolidated balance sheets as at 31 December 2023 and 2022 attached held in foreign currency, taking into account the nature of the items comprising it, is as follows:

	Equivalent value in EUR millions			
	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Cash and balances at central banks	269	—	865	—
Financial instruments held for trading	—	—	38	39
Financial assets at fair value through other comprehensive income	1	—	1	—
Derivatives - hedge accounting	18	33	63	31
Assets included in disposal groups	8	—	7	—
Investments in joint ventures and associates	751	—	686	—
Tangible assets	208	—	104	—
Intangible assets	226	—	221	—
Tax assets and liabilities	140	278	261	212
Financial instruments at amortised cost	16,494	11,016	17,999	11,650
Liabilities included in disposal groups classified as held for sale	—	—	—	—
Provisions	—	6	—	25
Others	78	241	51	264
	18,193	11,574	20,296	12,221

c) *Fair value of unrecorded financial assets and liabilities at fair value*

Financial assets owned by the Group are recorded in the accompanying consolidated balance sheets at fair value, except for items included under cash headings, cash balances in central banks and other demand deposits, financial assets at amortized cost - loans and advances - clients, equity instruments whose market value, where applicable, cannot be reliably estimated and financial derivatives which have these instruments as their underlying asset and are settled through delivery thereof, if any.

Similarly, except for financial liabilities in the trading book and financial derivatives, the Group's financial liabilities are recorded in the consolidated balance sheets attached to their amortized cost.

i. Financial assets measured on a non-fair value basis

The following is a comparison between the value of the Group's financial assets measured on a basis other than fair value as at 31 December 2023 and 2022 and their corresponding fair value at the close of those years:

Active	Thousands of euros									
	2023					2022				
	Carrying amount	Fair Value	Level 1	Level 2	Level 3	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets at amortised cost										
Loans and advances	116,936,050	115,589,091	—	1,294,702	114,294,389	106,909,487	104,883,727	—	246,580	104,637,147
Debt instruments	4,189,837	4,154,302	4,154,302	—	—	6,185,061	6,097,660	6,097,660	—	—
	121,125,887	119,743,393	4,154,302	1,294,702	114,294,389	113,094,548	110,981,387	6,097,660	246,580	104,637,147

ii. Financial liabilities measured other than fair value

The following is a comparison between the value of the Group's liabilities measured on a non-fair value basis and their corresponding fair value at year-end:

Liabilities	Thousands of euros									
	2023					2022				
	Amount Carrying	Value Fair Value	Level 1	Level 2	Level 3	Amount Carrying	Value Fair Value	Level 1	Level 2	Level 3
Financial liabilities at amortized cost										
Deposits	69,985,114	69,993,948	—	30,769,147	39,224,801	70,848,070	69,483,115	—	33,413,317	36,069,798
Debt securities in issue and other financial	51,605,223	51,579,484	4,845,601	43,743,689	2,990,194	38,855,760	37,826,675	4,979,748	29,533,203	3,313,724
	121,590,337	121,573,432	4,845,601	74,512,836	42,214,995	109,703,830	107,309,790	4,979,748	62,946,520	39,383,522

(*) In addition, other financial liabilities amounting to EUR 1,800,791 and EUR 1,373,400 thousand are recorded in December 2023 and December 2022 respectively

iii. Valuation methods and inputs used

The main measurement methods and *inputs* used in the 31 December 2023 and 2022 estimates of the fair value of financial assets and liabilities in the above tables are as follows:

- Financial assets at amortized cost - loans and advances: Fair value has been estimated using the present value technique. Factors such as expected maturity of the portfolio, market interest rates, *spreads* of new concession of trades, or market *spreads* – if available – have been considered in the estimate.

- Financial liabilities at amortized cost:

  i) The fair value of central bank deposits has been assimilated to their carrying value as they are mainly short-term balances.

  ii) Deposits of credit institutions: Fair value has been obtained by the present value technique by applying interest rates and market *spreads*.

iii) Customer deposits: Fair value has been estimated using the present value technique. Factors such as the expected maturity of operations and the Group's current financing cost in similar operations have been considered in the estimate.

iv) Debt securities issued: Fair value has been determined on the basis of market quotes for such instruments – where available – or by the present value technique, applying interest rates and market *spreads*.

45. Information segmented by geographic areas and by business

a) Geographical areas

In the main level of segmentation, derived from the management of the Group, six segments are presented, corresponding to five operational areas, each of them collecting the totality of businesses that the Group develops in them: Spain, Italy, Germany, Nordics (Scandinavia), France and the rest.

The preparation of the financial statements of each operating segment is made from the aggregation of the units that exist in the Group. The basic information corresponds both to the accounting data of the legal units that are integrated in each segment and to that available from the management information systems. In all cases, the financial statements are consistent with the accounting criteria used in the Group. Consequently, the sum of the profit and loss accounts of the different segments coincides with the consolidated profit and loss accounts. As for the balance sheet, the necessary process of opening the different business units, which are integrated into a single consolidated balance sheet, implies reflecting the different amounts borrowed and taken between them as a greater volume of the assets and liabilities of each business. These amounts, corresponding to inter-group liquidity, are eliminated in the column Intergroup eliminations of the following table, in order to reconcile the amounts contributed by each business unit to the balance sheet of the consolidated Group.

In addition, and for presentation purposes, each geographical unit is maintained as its own resources corresponding to its individual financial statements, offsetting them as a capital endowment made by the Spain area that acts as the holding of the rest of the businesses; reflecting, therefore, the Group’s total own resources.

The balance sheet and profit and loss account, summarized, for the different geographical areas are as follows:

Consolidated balance sheet (Condensed)	Thousands of Euros															
	2023								2022							
	Spain	Italy	Germany	Nordics	France	Rest	Intra-group eliminations	Total	Spain	Italy	Germany	Nordics	France	Rest	Intra-group eliminations	Total
Financial assets at amortised cost – Customers	29,092,539	15,409,421	45,897,181	18,643,312	18,913,021	21,703,111	(34,150,860)	115,507,725	13,435,196	10,180,074	38,654,354	17,394,410	16,353,163	5,794,708	6,643,981	108,455,886
Financial assets held-for-trading	105,746	65,756	97,049	3,500	21,280	30,568	(1)	323,898	3,540	—	120,854	9,916	3,394	—	356,960	494,664
Debt instruments	4,771,162	452,212	6,160,791	947,556	4,664,444	1,000	(12,655,147)	4,342,018	1,926,404	450,751	3,619,344	492,215	249,295	1,000	174,004	6,913,013
Financial assets at amortised cost – Central banks and credit institutions	15,710,622	91,259	10,843,405	107,837	9,471,122	1,050,885	(35,846,805)	1,428,325	2,444,141	944,262	2,451,564	1,807,037	209,173	853,300	(8,299,435)	410,042
Tangible and intangible assets	320,110	208,429	3,736,548	247,302	106,185	271,606	1,663,917	6,554,097	150,372	71,370	2,990,795	129,642	31,549	55,075	1,832,747	5,261,550
Cash and other	14,532,746	1,939,892	11,678,096	742,938	4,564,959	2,997,479	(21,264,685)	15,191,425	1,352,435	519,595	3,143,859	1,088,397	1,711,537	657,028	271,688	8,744,539
Total assets	64,532,925	18,166,969	78,413,070	20,692,445	37,741,011	26,054,649	(102,253,581)	143,347,488	19,312,088	12,166,052	50,980,770	20,921,617	18,558,111	7,361,111	979,945	130,279,694
Customer deposits	5,112,359	1,507,115	42,911,768	8,978,293	4,282,987	4,442,503	(18,390,685)	48,844,340	304,790	1,390,953	25,209,910	7,217,679	3,386,021	3,899,821	(81,947)	41,327,227
Debt securities in issued	27,601,048	3,218,110	5,487,778	2,931,184	11,974,532	13,693,973	(13,301,402)	51,605,223	1,791,678	684,647	6,901,467	4,476,361	4,775,402	384,083	19,842,122	38,855,760
Deposits from central banks and credit institutions	19,504,388	10,429,607	15,993,283	5,403,084	14,994,066	4,708,483	(49,892,137)	21,140,774	15,490,700	8,172,755	11,124,669	5,904,385	7,175,670	1,830,484	(20,177,820)	29,520,843
Other liabilities and equity accounting	1,272,925	1,136,119	3,014,656	63,865	3,220,030	1,685,159	(1,172,488)	9,220,266	1,258,558	749,020	2,816,140	478,134	2,573,047	244,552	236,943	8,356,394
Shareholders' equity	11,042,203	1,876,017	11,005,583	3,316,018	3,269,396	1,524,531	(19,496,863)	12,536,885	466,362	1,168,677	4,928,585	2,845,057	647,970	1,002,171	1,160,648	12,219,470
Total funds under management	64,532,923	18,166,968	78,413,068	20,692,444	37,741,011	26,054,649	(102,253,575)	143,347,488	19,312,088	12,166,052	50,980,771	20,921,616	18,558,110	7,361,111	979,946	130,279,694

Consolidated income statement (Condensed)	2023							2022						
	Spain	Italy	Germany	Nordics	France	Rest (*)	Total	Spain	Italy	Germany	Nordics	France	Rest (*)	Total
NET INTEREST INCOME	521,664	361,279	781,217	674,063	553,671	533,259	3,425,153	540,404	357,183	1,025,770	668,299	532,357	447,194	3,571,207
Income from entities accounted for using the equity method	14,368	4,300	32,119	855	13,160	12,273	77,075	16,049	3,489	28,486	1,865	10,115	36,732	96,736
Net commissions	71,147	91,816	381,122	26,918	104,368	53,953	729,324	62,799	80,755	439,316	36,344	104,558	59,764	783,536
Profit/(loss) from financial operations	(2,290)	10,371	17,669	(363)	5,759	105,342	136,488	8,244	12,277	12,215	(3,273)	48,989	(18,766)	59,686
Other operating income/(expense)	7,094	1,016	159,139	15,385	(7,839)	(15,430)	159,365	9,618	(5,564)	152,164	(1,972)	(15,614)	(3,306)	135,326
OPERATING INCOME	611,982	468,782	1,371,266	716,859	669,119	689,397	4,527,405	637,114	448,140	1,657,950	701,262	680,405	521,620	4,646,491
Administrative and general expenses	(233,372)	(188,151)	(709,259)	(278,317)	(209,944)	(265,522)	(1,884,565)	(229,462)	(145,216)	(708,889)	(242,502)	(194,244)	(235,919)	(1,756,232)
Staff costs	(99,233)	(97,532)	(424,992)	(138,968)	(89,885)	(104,683)	(955,293)	(92,691)	(72,383)	(418,797)	(134,750)	(87,748)	(77,813)	(884,182)
Other	(134,139)	(90,618)	(284,267)	(139,349)	(120,059)	(160,840)	(929,272)	(136,771)	(72,833)	(290,092)	(107,752)	(106,496)	(158,106)	(872,050)
Amortisation	(19,157)	(28,916)	(91,340)	(29,388)	(11,361)	(28,629)	(208,791)	(14,150)	(16,716)	(101,587)	(25,451)	(8,003)	(23,276)	(189,183)
Provisions or reversal from provisions and impairment loss charges (net)	(186,763)	(62,371)	(206,325)	(93,342)	(6,951)	(77,551)	(633,303)	(118,174)	(47,661)	(157,005)	(73,645)	(48,466)	(48,232)	(493,183)
PROFIT OR LOSS BEFORE TAX	172,691	189,344	364,342	315,811	440,863	317,695	1,800,746	275,329	238,547	690,470	359,664	429,692	214,191	2,207,893
PROFIT OR LOSS IN RESPECT OF CONTINUING OPERATIONS	157,245	130,729	257,135	241,183	318,413	216,445	1,321,150	205,405	165,600	469,856	272,881	340,528	147,353	1,601,623
Profit or loss in respect of discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CONSOLIDATED PROFIT OR LOSS	157,245	130,729	257,135	241,183	318,413	216,445	1,321,150	205,405	165,600	469,856	272,881	340,528	147,353	1,601,623
Attributable to the parent	109,042	93,191	234,676	241,183	144,618	181,223	1,003,933	149,887	129,422	433,407	272,881	160,238	1,241,714	2,387,549

(*) Includes reconciliation between the Group's segmented information and consolidated financial statements, as well as corporate activities.

Also, in accordance with the requirements of the regulations applicable to the Bank, the following is broken down:

1. For the geographical areas indicated in the aforementioned regulations, the balance of "interest income" recorded in the consolidated profit and loss accounts for the years 2023 and 2022:

	Thousands of Euros	
	2023	2022
Internal market	1,332,389	761,812
Export:		
European Union	3,839,028	1,546,563
OECD countries	1,167,979	886,859
Other countries	—	—
	5,007,007	2,433,422
Total	6,339,396	3,195,234

2. A distribution of revenue (interest income, dividend income, commission income, gains or (-) losses on derecognition of financial assets and liabilities, gains or losses on financial assets held for trading, gains or losses on non-trading financial assets obligatorily measured at fair value through profit or loss, gains or (-) losses resulting from hedge accounting and other operating income) by the geographical segments used by the Group. For the purposes of the following table, 2023 and 2022:

	Revenue (thousands of Euros)					
	Revenue from external customers		Inter-segment revenue		Total Revenue	
	2023	2022	2023	2022	2023	2022
Spain and Portugal	1,600,435	969,368	806,354	206,602	2,406,789	1,175,970
Italy	927,805	599,648	33,923	23,652	961,728	623,300
Germany	2,397,860	2,051,454	565,810	441,713	2,963,670	2,493,167
Scandinavia	1,252,932	845,036	35,700	94,663	1,288,632	939,699
France	1,177,556	798,404	590,707	523,491	1,768,263	1,321,895
Rest	771,190	702,770	322,004	256,753	1,093,194	959,523
Adjustments and eliminations of regular income between	—	—	*(2,354,498)*	*(1,546,874)*	(2,354,498)	(1,546,874)
Total	8,127,778	5,966,680	—	—	8,127,778	5,966,680

b) Business segments

At the secondary level of segmented information, the Group is organized into 2 main business lines and a grouping of other smaller businesses.

The "Automotive" area contains all businesses associated with financing new and used vehicles including operating and financial leasing, as well as the contribution to the consolidated profit or loss of all the activities carried out by the Group related to the financing granted with collateral received as well as the stock credit of vehicles marketed by the distributors.

The area of “Consumer Financing” reflects the returns derived from the business of financing consumer products, the results derived from direct financing to consumers, by any of the distribution channels, whether physical or online and including all the products marketed for it: fixed-term loans, credit cards, etc.

The area of “Other business” includes the operation that is not included in any of the above categories, mainly mortgages and corporate loans.

The summary consolidated profit and loss accounts, distributed by business, for the years 2023 and 2022 are presented below:

Consolidated profit and loss account (summarized)	Thousands of Euros			
	2023			
	Vehicles	Consumer	Other (*)	Total
NET INTEREST INCOME	2,266,995	923,330	234,828	3,425,153
Income from entities accounted for using the equity method	82,869	14,352	(20,146)	77,075
Net commissions	439,709	234,995	54,620	729,324
Profit/(loss) from financial operations	4,639	3	131,846	136,488
Other operating income	252,561	15,343	(108,539)	159,365
OPERATING INCOME	3,046,773	1,188,023	292,609	4,527,405
Administrative and general expenses	(1,089,706)	(438,106)	(356,753)	(1,884,565)
Staff cost	(562,469)	(219,889)	(172,935)	(955,293)
Other	(527,237)	(218,217)	(183,818)	(929,272)
Depreciation	(81,421)	(44,692)	(82,678)	(208,791)
Provisions, Impairment losses on financial assets	(179,469)	(404,560)	(49,274)	(633,303)
PROFIT/(LOSS) BEFORE TAX	1,696,176	300,666	(196,096)	1,800,746
Profit(/loss) in respect of discontinued operations	—	—	—	—
CONSOLIDATED PROFIT/(LOSS)	1,232,646	212,251	(123,747)	1,321,150

Consolidated income statement (Condensed)	Thousands of Euros			
	2022			
	Vehicles	Consumer	Other (*)	Total
NET INTEREST INCOME	2,263,273	972,172	335,762	3,571,207
Income from entities accounted for using the equity method	71,275	12,293	13,168	96,736
Net commissions	450,423	282,422	50,691	783,536
Profit/(loss) from financial operations	16,649	6,878	36,159	59,686
Other operating income	202,696	8,648	(76,018)	135,326
OPERATING INCOME	3,004,316	1,282,413	359,762	4,646,491
Administrative and general expenses	(961,574)	(472,428)	(322,230)	(1,756,232)
Staff cost	(453,899)	(229,598)	(200,685)	(884,182)
Other	(507,675)	(242,830)	(121,545)	(872,050)
Depreciation	(65,290)	(43,210)	(80,683)	(189,183)
Provisions, Impairment losses on financial assets	(171,312)	(283,029)	(38,842)	(493,183)
PROFIT/(LOSS) BEFORE TAX	1,806,140	483,746	(81,993)	2,207,893
PROFIT/(LOSS) IN RESPECT OF CONTINUING OPERATIONS	1,350,989	342,973	(92,339)	1,601,623
Profit(/loss) in respect of discontinued operations	—	—	—	—
CONSOLIDATED PROFIT/(LOSS)	1,350,989	342,973	(92,339)	1,601,623

(*) It mainly includes the results of the deposits and managed assets business, which are not individually significant in the context of the Group, as well as those derived from the Group’s financial management activity.

46. Related parties

The following are the transactions made by the Group with the parties linked to it, distinguishing between associated entities, entities of the Santander Group, members of the Board of Directors of the Bank and members of the Bank's senior management, as of December 31, 2023 and 2022, as well as the income and expenses derived from the transactions made with those related parties in the years 2023 and 2022. The terms of related party transactions are equivalent to those of market-based transactions.

	Thousands of euros							
	2023				2022			
	Associates	Santander group entities	Board Members (*)	Senior management (**)	Associates	Santander Group Entities	Board Members (**)	Senior Management (**)
Assets:								
Cash, cash balances at central banks and other deposits on demand	—	666,386	—	—	—	727,896	—	—
Debt instruments	—	—	—	—	—	—	—	—
Loans and advances:	181,615	1,206,895	13	5	58,675	584,591	14	7
Customers	158,415	10,659	13	5	37,111	341,326	14	7
Credit institutions	23,200	1,196,236	—	—	21,564	243,265	—	—
Trading Derivatives (Note 9)	—	223,678	—	—	—	334,747	—	—
Hedging derivatives	—	154,742	—	—	—	580,245	—	—
Other assets	8,533	6,817	—	—	9,710	7,369	—	—
Liabilities:								
Financial liabilities at amortized cost	37,873	12,264,841	—	213	59,398	9,827,561	—	259
Deposits from credit institutions (Note 17)	10,003	12,188,919	—	—	—	9,761,171	—	—
Customer deposits	27,870	75,922	—	213	59,398	66,390	—	259
Marketable debt securities	—	9,447,056	—	—	—	6,720,540	—	—
Other financial liabilities	24,643	64,653	—	—	25,603	17,327	—	—
Trading Derivatives (Note 9)	—	241,094	—	—	—	307,105	—	—
Hedging Derivatives	—	296,706	—	—	—	150,346	—	—
Other liabilities	16	50,041	—	—	1,989	42,959	—	—
Income statement								
Interest income	3,053	245,480	—	—	5,160	7,908	—	—
Interest expenses	(38)	(595,366)	—	—	—	(105,415)	—	—
Commission income	133,575	39,015	—	—	135,902	158,051	—	—
Commission expense	—	(10,202)	—	—	(2)	(5,758)	—	—
Gains or losses on financial assets and liabilities no measured at fair value through profit or loss, net	—	5,285	—	—	—	—	—	—
Gains or losses of financial assets and liabilities held for trading, net	—	(6,868)	—	—	—	1,161	—	—
Gains or losses from hedge accounting, net	—	(237,240)	—	—	—	319,060	—	—
Exchange differences	—	124,838	—	—	—	152,469	—	—
Other operating income	590	7,434	—	—	353	10,735	—	—
Other operating expenses	—	(78)	—	—	—	(3)	—	—
Administrative expenses	(3,939)	(170,292)	—	—	(3,386)	(167,230)	—	—
Other gains/losses	—	—	—	—	—	—	—	—
Memorandum items								
Contingent commitments	—	38,197	—	—	—	29,298	—	—
Contingent liabilities	—	—	—	—	—	—	—	—
Other commitments	—	749,846	—	—	—	750,238	—	—

(*) Excluding those entities belonging to the Santander Group that have been considered as associates in this consolidated report,

(**) See Notes 5-b and 5-c,

47. Risk management

I. Risk management

Corporate principles

Grupo Santander, of which Santander Consumer Finance is a part, has set itself as a strategic objective to achieve excellence in risk management, It has always been a priority axis of action throughout its more than 150 years of experience.

In recent years, it has accelerated its evolution to anticipate and respond to the great challenges of an ever-changing economic, social and regulatory environment.

Consequently, the risk function is more important than ever for Grupo Santander to remain a solid, safe and sustainable bank, an example for the entire financial sector and a benchmark for all those who aspire to turn leadership into risks into a competitive advantage.

Santander Consumer Finance aims to build the future through early management of all risks and to protect the present through a robust control environment. Thus, it has determined that the risk function is based on the following pillars, which are aligned with the strategy and business model of the Santander Group and take into account the recommendations of the supervisory bodies, regulators and best market practices:

1. The business strategy is defined within the risk appetite. The Board of Santander Consumer Finance determines the amount and typology of the risks it considers reasonable to assume in the execution of its business strategy and its development in objective limits, verifiable and consistent with the risk appetite for each relevant activity.

2. All risks must be managed by the units that generate them through advanced models and tools integrated into the different businesses. Santander Consumer Finance is promoting advanced risk management with innovative models and metrics, in addition to a control, reporting and scaling framework, which allow to identify and manage risks from different perspectives.

3. Anticipatory vision for all types of risks must be integrated into the processes of risk identification, assessment and management.

4. The independence of the risk function encompasses all risks and provides an adequate separation between the risk generating units and those responsible for their control. It implies that it has sufficient authority and direct access to the management and governance bodies responsible for setting and overseeing risk strategy and policies.

5. Risk management needs to have the best processes and infrastructures. Santander Consumer Finance aims to be the reference model in the development of infrastructures and processes to support risk management.

6. A risk culture integrated throughout the organization, comprising a series of attitudes, values, skills and guidelines for action against all risks. Santander Consumer Finance understands that advanced risk management cannot be achieved without a strong and constant risk culture that is present in each and every one of its activities.